

16303

RECORDATION NO

FILED 1433

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Date

Pcc

April 20, 1989

16303-B

RECORDATION NO

FILED 1433

BY HAND
ICC Washington, D.C.

APR 21 1989 -9 00 AM

Noreta R. McGee
Secretary
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

INTERSTATE COMMERCE COMMISSION

Dear Ms. McGee:

Enclosed are an original and one copy of four documents, described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code. The documents to be recorded are: (1) a Lease of Railroad Equipment, a primary document, dated as of April 14, 1989; (2) Supplement No. 1 to the Lease of Railroad Equipment, a secondary document, dated as of April 14, 1989; (3) a Loan and Security Agreement, a primary document, dated as of April 14, 1989; and (4) Supplement No. 1 to the Loan and Security Agreement, a secondary document, dated as of April 14, 1989.

The names and addresses of the parties to the documents are as follows:

Lease of Railroad Equipment:

Lessor: Meridian Trust Company
35 North 6th Street
Reading, Pennsylvania 19601

Lessee: Soo Line Railroad Company
Soo Line Building
105 South Fifth Street
Box 530
Minneapolis, Minnesota 55440

new number

RECORDATION NO

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APR 21 1989 -9 00 AM

INTERSTATE COMMERCE COMMISSION

18 KING WILLIAM STREET
LONDON, EC4N 7SA, ENGLAND
441: 621-1616 FAX: 441-626-79375 SHENTON WAY
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03-504-3800 FAX: 03-504-1009

9-111A001

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RECORDATION NO

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APR 21 1989 -9 00 AM

INTERSTATE COMMERCE COMMISSION

APR 21 8 52 AM '89
MOTOR OPERATING UNIT

County of Morgan

Noreta R. McGee
April 20, 1989
Page 2

Supplement No. 1 to the Lease of Railroad Equipment:

Lessor: Meridian Trust Company
35 North 6th Street
Reading, Pennsylvania 19601

Lessee: Soo Line Railroad Company
Soo Line Building
105 South Fifth Street
Box 530
Minneapolis, Minnesota 55440

Loan and Security Agreement:

Owner Trustee: Meridian Trust Company
35 North 6th Street
Reading, Pennsylvania 19601

Lender: The Prudential Insurance Company
of America
c/o Prudential Capital Corporation
2930 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402-3901

Supplement No. 1 to the Loan and Security Agreement:

Owner Trustee: Meridian Trust Company
35 North 6th Street
Reading, Pennsylvania 19601

Lender: The Prudential Insurance Company
of America
c/o Prudential Capital Corporation
2930 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402-3901

A description of the equipment covered by these documents follows:

21 General Motors EMD 3800 H.P. Model SD-60 Diesel Electric Locomotives bearing manufacturers numbers 877003-01 through 877003-21 inclusive, and Soo Line road numbers 6021 through 6041, inclusive.

Noreta R. McGee
April 20, 1989
Page 3

A fee of \$52.00 is enclosed. Please stamp and return to the messenger any documents not needed by the Commission for recordation, along with a stamped copy of this letter.

A short summary of the documents, to appear in the Commission's index, follows:

Lease of Railroad Equipment:

Lease of Railroad Equipment between Meridian Trust Company, 35 North 6th Street, Reading, Pennsylvania 19601, Lessor, and Soo Line Railroad Company, Soo Line Building, 105 South Fifth Street, Box 530, Minneapolis, Minnesota 55440, Lessee, dated as of April 14, 1989, and covering 21 General Motors EMD 3800 H.P. Model SD-60 Diesel Electric Locomotives bearing manufacturers numbers 877003-01 through 877003-21 inclusive, and road numbers 6021 through 6041, inclusive.

Supplement No. 1 to the Lease of Railroad Equipment:

Supplement No. 1 to the Lease of Railroad Equipment between Meridian Trust Company, 35 North 6th Street, Reading, Pennsylvania 19601, Lessor, and Soo Line Railroad Company, Soo Line Building, 105 South Fifth Street, Box 530, Minneapolis, Minnesota 55440, Lessee, dated as of April 14, 1989, and covering 21 General Motors EMD 3800 H.P. Model SD-60 Diesel Electric Locomotives bearing manufacturers numbers 877003-01 through 877003-21 inclusive, and road numbers 6021 through 6041, inclusive.

Loan and Security Agreement:

Loan and Security Agreement between Meridian Trust Company, 35 North 6th Street, Reading, Pennsylvania 19601, Owner Trustee, and The Prudential Insurance Company of America, c/o Prudential Capital Corporation, 2930 Norwest Center, 90 South Seventh Street, Minneapolis, Minnesota 55402-3901, Lender, dated as of April 14, 1989, and covering \$42,000,000.00 Maximum Aggregate Principal Amount Secured Notes.

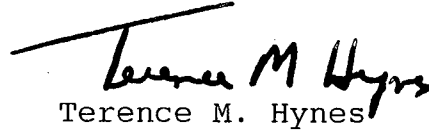
Supplement No. 1 to Loan and Security Agreement:

Supplement No. 1 to Loan and Security Agreement between Meridian Trust Company, 35 North 6th Street, Reading, Pennsylvania 19601, Owner Trustee, and The Prudential Insurance Company of America, c/o Prudential Capital Corporation, 2930 Norwest Center, 90 South Seventh Street, Minneapolis, Minnesota

Noreta R. McGee
April 20, 1989
Page 4

55402-3901, Lender, dated as of April 14, 1989, and covering
\$42,000,000.00 Maximum Aggregate Principal Amount Secured Notes.

Sincerely,



Terence M. Hynes

JRD/1250c(2)

04/19/89 04:45 p.m.

9712755 0073

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RECORDATION NO. _____ FILED 1423

LOAN AND SECURITY AGREEMENT

APR 21 1989 -9 00 AM

INTERSTATE COMMERCE COMMISSION

Dated as of April 14, 1989

between

MERIDIAN TRUST COMPANY, not in its individual capacity,
except as otherwise set forth herein, but solely as trustee
under the Trust Agreement referred to herein, Owner Trustee

and

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, Lender

\$42,000,000 Maximum Aggregate Principal Amount
Secured Notes

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EXHIBITS

A - Form of Loan and Security Agreement Supplement

B - Form of Note

Schedule

I - Definitions

LOAN AND SECURITY AGREEMENT

LOAN AND SECURITY AGREEMENT dated as of April 14, 1989 (this "Agreement"), between THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation (the "Lender") and MERIDIAN TRUST COMPANY, a Pennsylvania trust company, not in its individual capacity (except as otherwise expressly set forth herein) but solely as trustee under the Trust Agreement (the "Owner Trustee"). All capitalized terms used herein have the respective meanings attributed thereto (if any) in Section 1 hereof.

RECITALS

The Lessee, the Lender, the Owner Trustee and the Owner Participant have entered into a Participation Agreement (the "Participation Agreement") dated as of the date hereof, pursuant to which, and subject to the terms and conditions thereof, (a) the Owner Trustee has agreed to purchase the Locomotives, (b) the Lessee has agreed to lease the Locomotives from the Owner Trustee pursuant to the terms and conditions of the Lease, (c) in order to finance a portion of the Purchase Price of the Locomotives, the Owner Trustee has agreed to borrow funds from the Lender and, to evidence such borrowings, the Owner Trustee has agreed to execute and deliver to the Lender one or more Notes, and (d) the Lender has agreed to purchase the Notes.

The Lender has requested that in order to provide security for, among other things, the payment of the principal of and interest on the Notes, the Owner Trustee pledge, assign, mortgage and grant a security interest in the property, rights and privileges hereinbelow described constituting the Collateral to and in favor of the Lender, and the Owner Trustee is willing to do so.

The Owner Trustee desires by this Loan and Security Agreement, among other things, to provide for (a) the issuance by the Owner Trustee of the Notes evidencing loans made to the Owner Trustee as provided in the Participation Agreement, and (b) the mortgage, assignment and pledge by the Owner Trustee to the Lender of all of the Owner Trustee's right, title and interest in, to and under the Purchase Agreements, the Locomotives, the Lease and payments and other amounts received hereunder or thereunder in accordance with the terms hereof (excluding Excepted Rights in Collateral) as security for the Owner Trustee's obligations to the holders of the Notes for the benefit and security of such holders.

All of the requirements of law have been fully complied with and all other acts and things necessary to make this Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

GRANTING CLAUSE

A. To induce the Lender to purchase the Notes to provide funds to the Owner Trustee to enable it to pay a portion of the Purchase Price of the Locomotives; in consideration of the payment by the Lender to the Owner Trustee of the sum of \$10, receipt of which is hereby acknowledged by the Owner Trustee; and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Owner Trustee grants a security interest, as set forth below, to secure, with the exception of the obligation to pay the Yield Maintenance Premium, the following obligations (collectively referred to hereinafter as the "Secured Obligations"):

(i) the payment of any and all principal and interest with respect to the Notes according to the Notes tenor and effect and any and all other premium and any and all sums or other charges, including, without limitation, attorney's fees and other expenses of collection, which may become due and payable pursuant to this Agreement and the Notes;

(ii) the payment of all indebtedness to the Lender of whatever character created by any of the Operative Documents;

(iii) the performance and observance by the obligors thereunder of all conditions and covenants in the Notes, in this Agreement, and all other Operative Documents;

(iv) the performance and observance by the Owner Trustee of all conditions and covenants contained in this Agreement, the Lease and in the Participation Agreement;

(v) any and all other obligations of any character whatsoever arising under any of the Operative Documents which may lawfully be secured; and

(vi) notwithstanding the exception set forth in this paragraph A with respect to Yield Maintenance Premium, the performance by the Owner Trustee of its obligation to pay Yield Maintenance Premium pursuant to Section 12 of the Participation Agreement.

To secure the said Secured Obligations, Owner Trustee does hereby grant a security interest in the collateral described

below and otherwise bargain, sell, transfer, convey, warrant, mortgage, assign, pledge and hypothecate for purposes of security all of the below-described collateral (other than Excepted Rights in Collateral) unto the Lender (all of which property is referred to herein as "Collateral"), its successors and assigns, for the uses and purposes and subject to the terms and provisions set forth in this Agreement. The Collateral pledged hereby includes:

- (a) all right, title, and interest of the Owner Trustee in the Trust Estate including, without limitation, the rights, accounts, accounts receivable, choses in action, interests, titles, notes, instruments, contract rights, general intangibles, and privileges together with the proceeds, products, and rents thereon, whether now owned or hereafter acquired, of the Owner Trust excepting only Excepted Rights in Collateral;
- (b) all right, title and interest of the Owner Trustee in and to each Locomotive, together with all accessories, equipment, parts and appurtenances appertaining or attached to such Locomotive, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to each such Locomotive except such thereof as remain the property of the Lessee under the Lease, together with all the rents, proceeds, issues, income, profits and avails therefrom;
- (c) all right, title and interest of the Owner Trustee in, to and under (but none of its obligations with respect to) the Lease and each Lease Supplement including, without limitation, (I) all amounts of Basic Rent, Supplemental Rent, insurance proceeds and requisition, indemnity and other payments of any kind for or with respect to the Locomotives, excluding Excepted Rights in Collateral, (II) all rights of the Owner Trustee, except to the extent included in Excepted Rights in Collateral, to exercise any election or option or to make any decision or determination or to give any notice, consent, waiver or approval under or in respect of the Lease or to accept any surrender of the Locomotives as if the Lender were named as "Lessor" in the Lease, (III) all rights, powers and remedies on the part of the Owner Trustee, whether arising under the Lease or by statute or at law or in equity or otherwise, arising out of any Default or Event of Default under the Lease, except in respect of a

Default that is included in Excepted Rights in Collateral and is not otherwise a Default; (IV) all rights of the Owner Trustee as a secured party thereunder to the extent a security interest may be deemed to be created by the Lease and (V) all rights, remedies and powers of the Owner Trustee under any sublease of the Locomotives which is assigned to Owner Trustee;

- (d) all right, title and interest of the Owner Trustee in, to and under (but none of its obligations with respect to) that Purchase Agreement Assignment pursuant to which Lessee assigns to Owner Trustee all of Lessee's right, title and interest in, to, and under the Purchase Agreement, the Bills of Sale, including, without limitation, all right of the Owner Trustee to exercise any election or option or to give any notice, consent, waiver or approval or to take any other action under or in respect of the Bills of Sale, except for Excepted Rights in Collateral;
- (e) all moneys and securities deposited or required to be deposited with the Owner Trustee pursuant to any term of this Agreement, the Lease or any other Operative Document and held or required to be held by the Owner Trustee hereunder; and
- (f) all proceeds, rents, issues, profits, products, revenues and other income of the foregoing on all other property from time to time subjected or required to be subjected to the lien of this Agreement, and all other property or assets of the Trust Estate whether now owned or hereafter acquired and all right, title and interest of every nature whatsoever of the Owner Trustee in and to the same and every part thereof, except for Excepted Rights in Collateral.

The Owner Trustee and the Lender contemplate that they shall hereinafter enter into Loan and Security Agreement Supplements to this Agreement substantially in the form of Exhibit A hereto with respect to some of the Collateral. Nothing contained in any of the Loan and Security Agreement Supplements shall be construed to impair or limit the security interests granted herein, it being the intention of the parties that the effect of any such Loan and Security Agreement Supplement shall be merely to restate with more specificity the grant of security interest set forth herein as to the specific items of Collateral referenced in any such Loan and Security Agreement Supplement.

B. Without limiting the generality of the foregoing, further to secure payment, performance and observance of the Secured Obligations, and for the same consideration as set forth above, the Owner Trustee hereby presently irrevocably sells, assigns, transfers and sets over unto the Lender and its successors and assigns, all of the right, title and interest of the Owner Trustee in, to and under (but none of the obligations of Owner Trustee in respect of) (i) the Lease, as from time to time supplemented or amended, including each Lease Supplement thereto (except only Excepted Rights in Collateral), (ii) all monies and claims for monies due and to become due to the Owner Trustee and all claims for damages, in respect of any Casualty Occurrence with respect to the Locomotives or any thereof, and all other payments of any kind for or with respect to such Locomotives (except only Excepted Rights in Collateral), (iii) all rights of the Owner Trustee (except as set forth in Sections 7.03 and 10.02 hereof and to the extent included in Excepted Rights in Collateral) to execute any election or option or to make any decision or determination or to give any notice, consent, waiver or approval under or in respect of the Lease or to accept any surrender of any Locomotives or any part thereof, (iv) all rights, powers or remedies on the part of the Owner Trustee, whether arising under the Lease or by statute or at law or in equity, or otherwise, arising out of any Default or Event of Default under the Lease (except to the extent constituting Excepted Rights in Collateral) and (v) the Bills of Sale. The assignment provided for in this paragraph is intended to be a present assignment and shall be effective immediately upon the execution of this Loan and Security Agreement and is not conditioned upon the occurrence of any Loan and Security Agreement Default or Event of Default or any other contingency or event.

Concurrently with the delivery hereof, the Owner Trustee is delivering to the Lender the executed original counterpart of the Lease.

C. It is expressly agreed that anything herein contained to the contrary notwithstanding, the Owner Trustee shall remain liable under the Lease and the Bills of Sale, to the extent it is so liable, to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Lender shall have no obligation or liability under the Lease or the Bills of Sale by reason of or arising out of the foregoing assignment, nor shall the Lender be required or obligated in any manner, to perform or fulfill any obligations of the Owner Trustee under or pursuant to the Lease and the Bills of Sale, or except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim or take any action to

collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

D. The Owner Trustee does hereby ratify and confirm the Lease and the Bills of Sale and does hereby agree that it will not take or omit to take any action, the taking or omission of which might result in an alteration or impairment of the Lease, the Bills of Sale or this assignment or of any of the rights created by the Lease, the Bills of Sale or this assignment.

E. There are expressly excepted and reserved from the lien and operation of this Agreement the following described properties, rights, interests and privileges (herein sometimes referred to as "Excepted Rights in Collateral"):

(i) all payments of any indemnity under Section 9 of the Participation Agreement and under the Tax Indemnity Agreement as originally executed (whether payable as Supplemental Rent under the Lease or otherwise), in all cases to or for the benefit of the Owner Trustee (in its individual capacity or as Owner Trustee) or the Owner Participant;

(ii) all rights of the Owner Trustee (in its individual capacity or as Owner Trustee) or the Owner Participant to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Owner Trustee or the Owner Participant, any Affiliate thereof, or any officer, director, employee or agent of such Person or Affiliate, on account of any indemnities or payments set forth in paragraph (i) above, including the right to grant all waivers, consents or agreements that relate solely to such indemnities and payments; provided, that the rights excepted and reserved by this paragraph (ii) shall not be deemed to include any right to the exercise of any remedies provided for in § 13.1 of the Lease;

(iii) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to § 8.6 of the Lease which by the terms of such policies or the terms of the Lease are payable directly to or for the benefit of the Owner Trustee (in its individual capacity or as Owner Trustee) or the Owner Participant, any Affiliate thereof, or any officer, director, employee or agent of such Person or Affiliate; and

(iv) any insurance proceeds payable to the Owner Participant or the Owner Trustee, any officer, director, employee or agent of such Person, pursuant to insurance

policies that may be acquired by the Owner Participant or Owner Trustee pursuant to and subject to the limitations of § 8.6(vii) of the Lease;

Provided, however, the security interest, sale, transfer, conveyance, assignment, warrant, mortgage, pledge and hypothecation granted hereby and created herein shall terminate if and only if the principal, interest and all other amounts which may become due in respect of any or all the Notes or any other Operative Document (including, without limitation, attorneys' fees and all other costs and expenses of collection as provided in the Notes) and all other amounts due each holder of a Note pursuant to such Note or any other Operative Document shall have been paid at the time and in the manner required hereby and by the Notes, the Lease and the Participation Agreement. At such time, this Agreement and the security interest and other rights hereby granted and assigned shall terminate and cease; otherwise to remain in full force and effect.

Accordingly, the Owner Trustee, for itself and its successors and assigns, agrees that all property subject or to become subject hereto is to be held subject to the further covenants, conditions, uses and trusts hereinafter set forth, and the Owner Trustee, for itself and its successors and assigns, hereby further covenants and agrees with the Lender as follows:

SECTION 1. DEFINITIONS

Section 1.01. Defined Terms. Unless otherwise defined herein, capitalized terms shall have the meanings specified in Schedule I attached hereto for all purposes of this Loan and Security Agreement (as modified, amended or supplemented from time to time) and such meanings shall be equally applicable to both the singular and plural forms of the terms herein defined.

SECTION 2. THE NOTES

Section 2.01. Creation of the Notes. The Notes shall be issued hereunder and secured hereby. Except as is otherwise specifically provided in Section 2.09 with respect to lost, stolen, mutilated and destroyed Notes, the aggregate face amount of the Notes which may be outstanding at any one time hereunder shall be limited to \$42,000,000.00.

Section 2.02. Execution and Authentication of the Notes. Each Note issued hereunder shall be executed and delivered on behalf of the Owner Trustee by one or more of its duly authorized officers and be dated the date of its issuance.

Section 2.03. Form of Notes. The Notes shall be in substantially the form of Exhibit B hereto and shall have attached thereto a completed amortization schedule. The Average Life of the Notes, considered in the aggregate, shall be approximately 14 years.

Section 2.04. Issuance and Terms of Notes.

(i) On each Delivery Date, there shall be issued to the Lender by the Owner Trustee one or more Notes.

(ii) Each Note shall be in a principal amount determined as provided in Section 3(a) of the Participation Agreement and shall bear interest on the principal amount thereof from time to time outstanding from the date thereof until due and payable (whether at the stated maturity thereof, upon acceleration or otherwise) at the rate determined pursuant to Section 2.05 hereof (the "Debt Rate"), and thereafter until paid at a rate per annum equal to 1% plus the higher of the Debt Rate and the Reference Rate (the "Overdue Rate") (in each case computed on the basis of a 360-day year of twelve 30-day months). Each such Note shall in addition (a) be due and payable on January 15, 1990 as to the interest accrued thereon from the date such Note was issued, to and including such interest payment date; and (b) be due and payable as to principal and accrued interest on each January 15 and July 15, commencing July 15, 1990 and continuing to and including the last date set forth on the amortization schedule attached thereto (each such date being herein called an "Installment Payment Date"), with the principal amount due on each such Installment Payment Date determined as set forth in Section 2.03; provided, that the final payment on each Note shall be due January 15, 2010, and be in an amount sufficient to discharge the accrued interest on, and the unpaid principal amount of, such Note. Each such Note shall bear interest at a rate per annum equal to the Overdue Rate (computed on the basis of a 360-day year of twelve 30-day months) on any part of principal and, to the extent permitted by applicable law, interest, not paid when due for any period during which the same shall be overdue. If any Installment Payment Date is not a Business Day, then the payment of principal and interest due on such date shall be due on the next preceding Business Day.

Section 2.05. Interest Rate. At any time prior to a Delivery Date, the Owner Trustee, pursuant to notice given as provided in this Section, may fix the interest rate on the Note to be purchased on such Delivery Date. If the interest rate has not been so fixed on or before a Delivery Date, the interest rate on such Note to be purchased on such Delivery Date will be fixed automatically on such Delivery Date. Such fixed rate of interest shall be equal to 1.22% plus the

Treasury Rate as of the date the interest rate is so fixed. In order to fix the interest rate prior to a Delivery Date, the Owner Trustee shall request a rate quote from Prudential Capital Corporation ("PruCapital") at its Minneapolis, Minnesota office (telephone 612/349-1008) by telephonic notice prior to 11:00 a.m., Minneapolis, Minnesota time, on any Business Day. PruCapital shall, on the same Business Day, quote the Treasury Rate and specify the period of hours during which the Owner Trustee can fix the interest rate based on such quoted Treasury Rate. The Owner Trustee, pursuant to telephonic notice given as provided in this Section, may elect during such period to fix the interest rate on the Note at 1.22% plus such Treasury Rate. The Owner Trustee hereby authorizes the Lessee to give all notices and take all actions on behalf of the Owner Trustee which the Owner Trustee is permitted to take under this Section 2.05. The Lessee hereby authorizes PruCapital and the Lender to accept elections of interest rates under this Section 2.05 upon receipt of telephonic notice from any person whom the person acting on such notice in good faith believes to be acting on behalf of the Owner Trustee, including, for purposes of this Section 2.05, any person whom the person acting on such notice in good faith believes to be acting on behalf of the Lessee. The Lessee shall confirm any such election by telex, telegraphic, or written notice setting forth the Treasury Rate and the name of the person from whom the Treasury Rate was received, such notice to be received by the Lender not later than the next Business Day in accordance with Section 11.07 hereof at the following address: c/o Prudential Capital Corporation, Three Gateway Center, 100 Mulberry Street, Newark, New Jersey 07102, with a copy to Prudential Capital Corporation, Attention Regional Vice President, 2930 Norwest Center, 90 South Seventh Street, Minneapolis, Minnesota 55402-3901. If the interest rate stated in the written confirmation differs in any respect from the interest rate reflected on PruCapital's records, the records of PruCapital shall govern.

Section 2.06. Payments on Notes from Collateral Only. Except as provided in Section 5.03 hereof, all amounts payable under a Note shall be paid only from the property, income and proceeds constituting the Collateral. Each holder of a Note, by its acceptance of such Note, agrees that it will look solely to the income and proceeds from the Collateral to the extent available for distribution to such holder in accordance with the provisions of this Agreement and that neither the Owner Trustee nor Owner Participant shall be personally liable to any such holder for any amounts payable under any Note.

Section 2.07. Registration of Notes.

(i) The Notes issuable hereunder shall be in registered form. The Owner Trustee will keep at the Owner Trustee Office a register for the registration and transfer of Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfers of the Notes, and the names and addresses of the transferees of all Notes shall be registered in the Register.

(ii) Subject to the provisions of Section 2.08 hereof, the Notes may be presented for payment at, and notices or demands with respect to the Notes or this Loan and Security Agreement may be served or made at, the Owner Trustee Office.

(iii) The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Agreement and the Participation Agreement and neither the obligors thereon nor the Owner Trustee shall be affected by any notice to the contrary. Payment of or on account of the principal of and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the obligors thereon and the Owner Trustee may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

Section 2.08 Method of Payment.

(i) The principal of and interest on the Notes shall be payable at the Owner Trustee Office, in lawful money of the United States of America immediately available at the time of payment. Payment of principal of the Notes shall be made only upon presentation of such Notes to the Owner Trustee for notation thereon of the amount of such payment.

(ii) Notwithstanding the foregoing provisions of Section 2.08(i) or any provision in any Note to the contrary, (a) so long as the Lender or an Affiliate of Lender shall be a holder of any Note, all payments to it with respect to such Note shall be made in the manner provided in Schedule 1 to this Agreement unless it shall have specified some other manner of payment by notice to the Owner Trustee in accordance with this Section 2.08(ii), and (b) the Owner Trustee will, if so requested by any other holder from time to time of a Note by written notice, pay all amounts payable by the Owner Trustee with respect to such Note to such holder either by mailing a check payable in immediately available funds to such holder at such address as such holder shall have specified in such notice or by wire transfer in immediately available funds to such bank (for the account of such holder) as may be specified in such notice, in

any case without any presentment or surrender of any Note; provided, however, that the Lender and each other holder from time to time of a Note, by its acceptance thereof, agrees that any Note paid or prepaid in full shall be surrendered to the Owner Trustee for cancellation after the making of the final payment on account of such Note upon the written request of the Owner Trustee. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid, subject to the proviso contained in Section 2.11(vi) hereof.

Section 2.09. Transfer or Exchanges of Notes; Mutilated, Destroyed, Lost or Stolen Notes.

(i) The holder of any Note may transfer such Note upon the surrender thereof at the Owner Trustee Office. Thereupon, the Owner Trustee shall execute in the name of the transferee a new Note or Notes (as requested by such surrendering holder) in denominations not less than \$100,000 (except one Note may be issued in a lesser principal amount if the principal amount of the surrendered Note is less than \$100,000), which shall be in an aggregate principal amount equal to the unpaid principal amount of the Note so surrendered. The Owner Trustee shall deliver such new Note or Notes to the Lender for delivery to such transferee.

(ii) The holder of any Note may surrender such Note at the Owner Trustee Office, accompanied by a written request for a new Note or Notes in denominations of not less than \$100,000 (except one Note may be issued in a lesser principal amount if the principal amount of the surrendered Note is not equally divisible by \$100,000), or such amount in excess thereof as may be specified in such request, which shall be in an aggregate principal amount equal to the unpaid principal amount of the Note or Notes so surrendered. Thereupon, the Owner Trustee shall execute in the name of such holder a new Note or Notes in accordance with such request and deliver such new Note or Notes to such holder.

(iii) All Notes presented or surrendered for transfer shall be accompanied (if so required by the Owner Trustee) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Owner Trustee duly executed by the registered holder or by its attorney duly authorized in writing. The Owner Trustee shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any Installment Payment Date or interest payment date with respect thereto.

(iv) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 2.09, and the

holder of any Note issued as provided in this Section 2.09 shall be entitled to any and all rights and privileges granted under this Agreement to a holder of a Note.

(v) In case any Note shall become mutilated or be destroyed, lost or stolen, the Owner Trustee, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substitute Note shall furnish to the Owner Trustee such security or indemnity as may be reasonably required by it, and the applicant shall also furnish to the Owner Trustee evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof; provided, that no such security or indemnity shall be required in respect of a mutilated Note, identifiable as such, which shall be surrendered by the holder thereof to the Owner Trustee. In case any Note which has matured or is to mature within the next succeeding six (6) month period shall become mutilated or be destroyed, lost or stolen, the Owner Trustee may, instead of issuing a substitute Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Owner Trustee such security or indemnity as may be reasonably required by the Owner Trustee, and shall furnish evidence to the satisfaction of the Owner Trustee of the mutilation, destruction, loss or theft of such Note and of the ownership thereof. If the Lender, any Affiliate of Lender, or any other institutional investor of recognized standing shall be the person requesting the issuance of a substitute or replacement Note or Notes hereunder, the written statement of the Lender, Affiliate or such other institutional investor, as the case may be, setting forth the fact of loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a Note other than the written agreement of such Lender, Affiliate, or other institutional investor, as the case may be, to indemnify the Owner Trustee (including its attorneys' fees) for any claims or action against it resulting from the reappearance of the Old Note.

(vi) Each new Note (herein, in this Section 2.09, called a "New Note") issued pursuant to this Section 2.09 in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 2.09, called an "Old Note") shall be dated the date of such Old Note and each such New Note shall be in registered form. The Owner Trustee shall mark on each New Note (a) the dates to which principal and interest have been paid on such Old Note, (b) all payments and prepayments of principal previously made on such Old Note which are allocable

to such New Note, and (c) the amount of such installment payment payable on such New Note. Each installment of principal payable on any date on each New Note issued in exchange for any one Old Note shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original aggregate principal amount of all such New Notes issued in exchange for such Old Note. Interest shall be deemed to have been paid on each such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (b) above, shall be deemed to have been made thereon.

(vii) Upon the issuance of a New Note pursuant to this Section 2.09, the Owner Trustee may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Owner Trustee.

(viii) All New Notes issued pursuant to this Section 2.09 in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the obligor thereof evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Loan and Security Agreement to the same extent as the Old Notes.

(ix) Upon the issuance of any Note pursuant to this Section 2.09, the Owner Trustee shall prepare and deliver to the holder thereof an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment.

(x) All Notes surrendered to the Owner Trustee for the purpose of payment, redemption, transfer or exchange shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Loan and Security Agreement.

Section 2.10. Application of Payments. Subject in any event to the provisions of Section 5 hereof, each payment on account of any outstanding Note shall be allocated first to the payment of accrued but unpaid interest on such Note, second to the reduction of the outstanding principal amount of such Note then due, and third, the balance, to the extent such Note shall at the time be permitted to be prepaid pursuant to this Loan and Security Agreement, to the payment of the unpaid principal amount of such Note.

Section 2.11. Prepayment of Notes. The Notes are not subject to prepayment or redemption, in whole or in part, directly or indirectly, except to the extent and in the manner expressly required or permitted therein, or by the provisions of this Section 2.11, Section 2.12 of this Agreement, or by the provisions of Section 16.1(iii) of the Lease.

(i) Required Prepayment Following Casualty Occurrence. If a Casualty Occurrence shall occur with respect to any Locomotive, and if the Lessee does not substitute a Replacement Locomotive in accordance with Section 8.1 of the Lease, the Owner Trustee will prepay or cause to be prepaid a percentage of the principal amount of the Notes relating to the Lease Supplement covering such Locomotive in the manner, at a price and as otherwise provided in clause "Second" of Section 5.03 hereof.

(ii) Prepayment Upon Certain Terminations of Lease. In the event that the Lessee shall exercise its right pursuant to Section 16.1 or 16.4 of the Lease to terminate the Lease with respect to any Locomotive, then the Owner Trustee will prepay or cause to be prepaid a percentage of the principal amount of the Notes relating to the Lease Supplement covering such Locomotives in the manner, at a price and as otherwise provided in clause "Second" of Section 5.02 hereof, provided that, the Owner Trustee shall not be required to prepay the Notes pursuant to this Section 2.11(ii) if the Lessee shall, as and to the extent permitted by said Section 16.4, revoke its election so to terminate the Lease in respect of such Locomotive.

(iii) Optional Prepayments. The Owner Trustee may prepay or cause to be prepaid one or more Notes, in whole or in part (in multiples of not less than \$500,000) upon not less than 30 days' prior written notice to the registered holder of such Note or Notes, provided that any such prepayment must be accompanied by a payment from or on behalf of the Lessee of the Yield Maintenance Premium applicable to such prepaid portion of the Note or Notes.

(iv) Identification of Prepayment. In connection with each prepayment of a Note pursuant to this Section 2.11, the Owner Trustee shall specify the (a) specific subsection of this Section 2.11 pursuant to which such prepayment is to be made, (b) each Note to which such prepayment relates, (c) principal amount of each Note being prepaid, (d) amounts of accrued interest being paid on such Note, and (e) a reference to Security No. 835714.

(v) Maturity Prepayments. In the case of each prepayment, the unpaid principal amount of each Note to be

prepaid shall become due and payable on the date fixed for such prepayment in accordance with the applicable provisions of this Loan and Security Agreement, together with interest accrued thereon to such date.

(vi) Cancellation of Notes; No Reissue. Except as otherwise provided in Section 2.09, if any Note is paid or prepaid in full, or substituted for a New Note, it shall be surrendered to the Owner Trustee. The Owner Trustee shall cancel any surrendered Note and shall not thereafter reissue such Note or any Note in lieu thereof; provided, however, that in the event any payments or portions thereof on the Notes are recovered or recouped from Lender for any reason, including without limitation pursuant to Section 550 or any other provision of the Bankruptcy Code in the bankruptcy or reorganization of the Lessee, the Owner Trustee, or the Owner Participant, any such Notes which shall have been cancelled shall, to the extent of such recovery, be deemed reinstated along with all collateral security therefor.

(vii) Application of Partial Payments. In the case of any prepayment pursuant to Section 2.11(i), (ii) or (iii) of less than the entire unpaid principal amount of all outstanding Notes, the amount prepaid in respect of all Notes relating to a particular Lease Supplement shall be applied pro rata to all such Notes according to the respective unpaid principal amounts thereof. The remaining semi-annual payments of principal on any Note which has been partially prepaid pursuant to Section 2.11(i), (ii) or (iii) shall each be reduced by a fraction of such semi-annual payment, the numerator of which fraction shall be the amount of such prepayment of principal of such Note and the denominator of which fraction shall be the unpaid principal of such Note immediately prior to such prepayment.

(viii) Interest After Date Fixed for Prepayment. Any Note or portion thereof called for prepayment as herein provided shall cease to bear interest on and after the date fixed for such prepayment, unless the Owner Trustee shall fail to make such prepayment on such date on such Note or portion thereof, as the case may be, in which event such Note or such portion, as the case may be, shall bear interest thereafter, payable on demand, until paid, at the Overdue Rate.

(ix) Prepayment Upon Lessor Default. The Owner Trustee and the Owner Participant agree that the Owner Trustee shall pay to the Lender the full amount of Yield Maintenance Premium in the event that any prepayment is made under the Notes (whether voluntarily or for any other reason) or the indebtedness due under the Notes is accelerated, during the continuance of a Loan and Security Agreement Event of Default which did not result from an Event of Default under the Lease.

Section 2.12 Optional Prepayment Following Event of Default. Notwithstanding Section 2.11(iii) hereof, the Owner Trustee may prepay or cause to be prepaid all (but not less than all) of the Notes in whole upon not less than 30 days' prior written notice to the registered holder(s) of such Notes and to the Lessee (which notice shall be revocable if all Events of Default under the Lease are cured prior to prepayment), regardless of whether such prepayment is accompanied by payment by the Lessee of the applicable Yield Maintenance Premium, if:

(i) at the time of such prepayment, an Event of Default under the Lease is in existence and has continued for the lesser of (a) eighteen (18) months after the occurrence of the Event of Default and (b) forty (40) days after the Lender has received the second of two (2) consecutive years' audited financial statements from the Lessee (as required by Section 11(a) of the Participation Agreement) after the occurrence of the Event of Default; and

(ii) during the continuance of such Event of Default, the Owner Participant has not entered into any financing, lease or other transaction with the Lessee involving rolling stock other than the Locomotives; and

(iii) such Event of Default is based upon one of the following events or conditions:

(1) any Liens are imposed on any of the Locomotives as a result of claims against the Lessee or Persons holding an interest in the Locomotives by, through or under the Lessee, and the aggregate amount of all such claims secured by all such Liens exceeds \$1,000,000;

(2) the Lessee fails to make any payment which it is required to make pursuant to Section 9(b) of the Participation Agreement entitled "General Tax Indemnity," and the aggregate amount of all such payments which Lessee fails to make exceeds \$1,000,000;

(3) any petition is filed by or against the Lessee under the Bankruptcy Code, and the trustee or debtor in possession in such case has not assumed the Lease in its entirety under Section 365 of the Bankruptcy Code or any successor provision;

(4) the Lessee fails to maintain the insurance required by Section 8.6 of the Lease or a default occurs under the provisions of Section 12.1(i) of the Lease; provided that, solely for purposes of Section 2.12(ii) hereof, an Event of Default described in this paragraph (4)

shall be deemed not to have occurred until the Lender shall have delivered a written statement that such Event of Default has occurred, to the Owner Participant, upon the Owner Participant's request, which request shall include all information upon which the Owner Participant bases its belief that an Event of Default has occurred; or

(5) the Lessee fails to make any payment of Basic Rent, Casualty Value or Termination Value, specifically excluding any payment under the Tax Indemnity Agreement.

Notwithstanding this Section 2.12, the Owner Participant and the Owner Trustee agree that the Owner Trustee shall pay to the Lender the full amount of Yield Maintenance Premium in the event that (A) within thirty (30) days following such prepayment, the Owner Trustee fails to terminate the Lease or (B) within two (2) years following such prepayment, the Owner Participant or the Owner Trustee sells, leases or otherwise transfers any of the Locomotives or any other locomotives to the Lessee or any of its Affiliates other than any trustee in bankruptcy in a case filed by or against the Lessee under the Bankruptcy Code. This Section 2.12 shall not be construed to affect or restrict the Lessee's obligations to pay Yield Maintenance Premium pursuant to Section 12 of the Participation Agreement.

SECTION 3. COVENANTS AND WARRANTIES OF THE OWNER TRUSTEE

The Owner Trustee covenants, warrants and agrees as follows:

Section 3.01. Owner Trustee's Duties. The Owner Trustee covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Lease and the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Lease or the Participation Agreement were fully set out in an amendment or supplement to this Agreement. The Owner Trustee undertakes to perform only such duties as are expressly and specifically set forth herein and in the Lease and the Participation Agreement and no implied obligations or covenants shall be read into this Agreement, the Lease or the Participation Agreement against the Owner Trustee.

Section 3.02. Warranty of Title. The Owner Trustee has the right, power and authority to grant a security interest in

the Collateral to the Lender for the uses and purposes herein set forth. The Owner Trustee also agrees that it will, at its own cost and expense, promptly take such action as may be necessary duly to discharge any Lessor's Liens on the Collateral. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Owner Trustee is named and which the Owner Trustee has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements filed or to be filed in respect of and for the security interest provided for herein and the filing of this Agreement and each Loan and Security Agreement Supplement and the Lease and each Lease Supplement with the ICC pursuant to 49 U.S.C. § 11303.

Section 3.03. Further Assurances. The Owner Trustee will, at no expense to the Lender, do, execute, acknowledge and deliver all and every further act, deed, conveyance, transfer and assurance necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the generality of the foregoing, the Owner Trustee will assign any security interest in any sublease of the Locomotives to the Lender.

Section 3.04. After-Acquired Property. Any and all property described or referred to as Collateral in the Granting Clause hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Owner Trustee, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.04 contained shall be deemed to modify or change the obligation of the Owner Trustee under Section 3.03 hereof.

Section 3.05. Modifications of the Lease. Subject to Section 7.03 hereof, the Owner Trustee will not, without the prior written consent of the Lender:

(i) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease (except that the Owner Trustee may modify Excepted Rights in Collateral, provided that no such modification shall be effective to in any way impair or diminish the lien of this Loan and Security Agreement on the Collateral or to impair or diminish the rights of the Lender and the holders of the Notes in respect thereof) or by affirmative act consent to the creation or existence of any Lien to secure the payment of indebtedness upon the Lease or any part thereof except pursuant to this Loan and Security

Agreement and except with respect to Excepted Rights in Collateral; or

(ii) receive or collect any rental payment under the Lease (except any constituting Excepted Rights in Collateral) prior to the date for payment thereof provided for by the Lease without promptly distributing any payment on the Notes then due or which will become due to the Lender in respect of such rental payments, or assign, transfer or hypothecate any rent payment (except any constituting Excepted Rights in Collateral) then due or to accrue in the future under the Lease; provided, that the Owner Trustee shall not be in violation of this clause (ii), or incur any liability due to, any receipt or collection of rentals by the Owner Trustee or its successor or assigns in accordance with the assignment provided for herein; or

(iii) sell, mortgage, transfer, assign or hypothecate its interest in the Locomotives or any part thereof or in any amount (except any constituting Excepted Rights in Collateral) to be received by it from the use or disposition of the Locomotives.

Section 3.06. Power of Attorney in Respect of the Lease. The Owner Trustee does hereby irrevocably constitute and appoint the Lender its true and lawful attorney with full power of substitution for it (in the name of the Owner Trustee or otherwise) to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income, and other sums which are assigned to Lender hereunder, with full power to settle, adjust or compromise any claims thereunder as fully as the Owner Trustee could itself do, and to endorse the name of the Owner Trustee on all notes, checks, instruments or other commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any action or proceedings, either in its own name or in the name of the Owner Trustee or otherwise, which the Lender may deem necessary or appropriate to protect and preserve the right, title and interest of the Lender in and to such rents and other sums and the security intended to be afforded hereby, including without limitation the exercise of any and all rights accruing to Lessor under the Bankruptcy Code in the event the Lessee, the Trust Estate or the Owner Participant, or any other party to any Operative Documents becomes subject to an order for relief entered pursuant to any applicable chapter of the Bankruptcy Code. The Lender shall defend, indemnify and save harmless the Owner Trustee and the Owner Participant, their successors, agents and assigns from and against any claim, cause of action, damage, liability, cost or expense (including, without limitation, attorneys' fees and costs in connection therewith) incurred as a result of any action taken by the

Lender under this Section 3.06 which results from the gross negligence or willful misconduct of the Lender; provided that, neither any failure of the Lender to defend, indemnify or save harmless the Owner Trustee or the Owner Participant, their successors, agents or assigns, nor the taking of any such action by the Lender, shall in any manner diminish or release the Owner Trustee or the Owner Participant from the performance and observance of any of their duties and obligations under the Operative Documents or impair the lien of this Loan and Security Agreement and to the Collateral.

SECTION 4. POSSESSION, USE AND RELEASE OF PROPERTY

Section 4.01. Possession of Collateral. So long as no Loan and Security Agreement Default or Loan and Security Agreement Event of Default has occurred and is continuing, the Owner Trustee shall be suffered and permitted to remain in full possession, enjoyment and control of the Locomotives and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Locomotives shall at all times be subject to the observance and performance of the terms of this Agreement. It is expressly understood that the use and possession of the Locomotives by the Lessee under and subject to the Lease shall not constitute a violation of this Section 4.01. This Agreement is entered into with the expectation that the Locomotives shall be leased to the Lessee under the Lease and that all use of the Locomotives permitted thereby is authorized hereunder.

Section 4.02. Release of Property. So long as no Event of Default or Default has occurred and is continuing, the Lender shall execute a release in respect of any Locomotive designated by the Lessee for a settlement pursuant to Section 8.1(i) or 16.4 of the Lease upon receipt from the Lessee of written notice designating the Locomotive in respect of which the Lease will terminate and the receipt from the Lessee of the applicable payment for such Locomotive in compliance with Section 8.1(i) or 16.4 of the Lease, as the case may be, including, without limitation, all amounts of Basic Rent and Supplemental Rent due in respect of such Locomotive on or prior to the applicable Casualty Payment Date or Termination Date under the Lease.

SECTION 5. RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE COLLATERAL

Section 5.01. Rent Distribution.

(i) Basic Rent Distribution. Except as otherwise provided in Section 5.04 hereof, each installment of Basic

Rent, as well as any payment of interest on overdue installments of Basic Rent, received by the Owner Trustee shall be distributed by the Owner Trustee on the date such payment is received (subject to timely receipt thereof by the Owner Trustee) in the following order of priority:

First, so much of such amounts as shall be required to pay in full the aggregate principal and accrued interest (as well as any interest on overdue principal) then due and payable under the Notes shall be distributed to the holders of such Notes ratably, without priority of one over the other, in the proportion that the amount of such payment then due and payable under each such Note bears to the aggregate amount of the payment then due and payable under all such Notes.

Second, the balance, if any, of such amounts remaining shall be distributed in accordance with the Trust Agreement.

(ii) Application of Other Amounts Held by Owner Trustee Upon Rent Default. If as a result of any failure by the Lessee to pay Basic Rent in full on any date when an installment thereof is due, or for any other reason, there shall not have been distributed on any date (or within any applicable period of grace), pursuant to Section 5.01(i) hereof, the full amount then distributable pursuant to clause "First" of Section 5.01(i) hereof, the Owner Trustee shall, if so requested by a Majority in Interest of Note Holders, distribute other payments of the character referred to in Section 5.06 hereof then held by it or thereafter received by it, except as otherwise provided in Section 5.04 hereof, to the holders of all Notes to the extent necessary to enable it to make all the distributions then due pursuant to such clause "First".

(iii) Retention of Amounts by Owner Trustee. If at the time of receipt by the Owner Trustee of any installment of Basic Rent (whether or not then overdue) or of payment of interest on any overdue installment of Basic Rent, there shall have occurred and be continuing a Loan and Security Agreement Default or a Loan and Security Agreement Event of Default, the Owner Trustee shall retain such installment of Basic Rent or payment of interest (to the extent not then required to be distributed pursuant to clause "First" of Section 5.01(i) hereof) and shall not distribute any such payment of Basic Rent or interest pursuant to clause "Second" of Section 5.01(i) hereof until such time as there shall not be continuing any Loan and Security Agreement Default or Loan and Security Agreement Event of Default or until such time as the Owner Trustee shall have received written instructions from a Majority in Interest of Note Holders to make such a distribution, provided, however, that if any Loan and Security Agreement Default or Loan and Security Agreement Event of

Default shall be continuing and if Owner Trustee shall not have received written instructions from a Majority in Interest of Note Holders to make such a distribution by the earlier of (a) eighteen months from the date such payment of such Basic Rent is received by Owner Trustee and (b) forty (40) days after Lender shall receive the second of two (2) consecutive years' audited financial statements from Lessee (as required by Section 11(a) of the Participation Agreement) after the date such payment of such Basic Rent is received by Owner Trustee, then, to the extent not then required to be distributed pursuant to clause "First" of Section 5.01(i) hereof, Owner Trustee may distribute such payment of Basic Rent pursuant to clause "Second" of Section 5.01(i) hereof.

Section 5.02. Payments Following Exercise of Purchase Option or Economic Obsolescence. Except as otherwise provided in Section 5.04 hereof, any payment (except by delivery of Lessee Notes pursuant to Section 16.1(iii) of the Lease) and other sums, including sale proceeds, received by the Owner Trustee as a result of a termination referred to in Sections 16.1 or 16.4 of the Lease as provided in the Lease shall be distributed forthwith upon receipt by the Owner Trustee in the following order of priority.

First, so much of such amounts as shall be required to reimburse the Lender for any expenses incurred by the Lender and not theretofore reimbursed in connection with the collection or distribution of such payment shall be distributed to the Lender.

Second, so much of such amounts as shall be required to prepay the Prepaid Amount of each Note relating to the Lease Supplement covering the Locomotives so terminated, plus the accrued but unpaid interest on the Prepaid Amount to the date of distribution, shall be distributed to the holders of such Notes. For purposes hereof, "Prepaid Amount" of each Note shall mean all or such portion of the unpaid principal amount of such Note relating to the Lease Supplement covering the Locomotives so terminated equal to the product determined by multiplying the total unpaid principal amount of such Note immediately prior to such prepayment by a fraction, the numerator of which shall be the aggregate Purchase Price of the Locomotives so terminated and the denominator of which shall be the aggregate Purchase Price of all Locomotives then covered by the Lease Supplement relating to such Note, including the Locomotives being terminated.

Third, in the manner provided in clause Fourth of Section 5.03.

Section 5.03. Payments Following Casualty Occurrence. Except as otherwise provided in Section 5.04 hereof, any payment received by Owner Trustee as a result of any Locomotive having suffered a Casualty Occurrence under Section 8.1 of the Lease and not being replaced by a Replacement Locomotive under Section 8.1(ii) of the Lease, including insurance proceeds and all requisition and condemnation amounts received from any governmental authority, shall be distributed forthwith upon receipt by the Owner Trustee in the following order of priority:

First, so much of such payment as shall be required to reimburse the Lender for any expenses incurred by the Lender and not theretofore reimbursed in connection with the collection of such payment shall be distributed to the Lender.

Second, so much of such payment as shall be required to prepay the Prepaid Amount, as hereinafter defined, of each Note relating to the Lease Supplement covering the Locomotive for which a Casualty Payment is being made, plus the accrued but unpaid interest on the Prepaid Amount to the date of distribution, shall be distributed to the holders of such Notes. For purposes hereof, "Prepaid Amount" shall mean all or such portion of the unpaid principal amount of each Note relating to the Lease Supplement covering the Locomotive for which Casualty Payment is being made equal to the product determined by multiplying the total unpaid principal amount of such Note immediately prior to such prepayment by a fraction, the numerator of which shall be the aggregate Purchase Price of the Locomotive suffering such Casualty Occurrence and the denominator of which shall be the aggregate Purchase Price of all Locomotives then covered by the Lease Supplement relating to such Note, including the Locomotives suffering such Casualty Occurrence.

Third, in the manner provided in clause Second of Section 5.04.

Fourth, the balance, if any, of such payment remaining shall be applied by the Owner Trustee in accordance with the Trust Agreement.

Section 5.04. Payments after Loan and Security Agreement Event of Default. All payments, except those constituting Excepted Rights in Collateral, received and all amounts held or realized by the Owner Trustee after a Loan and Security Agreement Event of Default shall have occurred and be continuing (including any amounts realized by the Owner Trustee from the exercise of any remedies pursuant to Section 13 of the Lease or from the application of Section 6 hereof) and after either (a) the Lender has declared the Lease to be in default pursuant to Section 13 thereof or (b) the Notes shall have

become due and payable pursuant to Section 6.02 hereof, and all payments or amounts then held or thereafter received by the Owner Trustee hereunder or under the Participation Agreement (except those constituting Excepted Rights in Collateral), shall, so long as such declaration shall not have been rescinded or cured pursuant to Section 6.03 hereof, be distributed forthwith by the Owner Trustee in the following order of priority:

First, so much of such payments and amounts as shall be required to reimburse the Lender for any expense incurred by the Lender and not theretofore reimbursed in connection with the collection of such payment (or the exercise of any remedies under this Loan and Security Agreement in respect of a Loan and Security Agreement Event of Default) shall be distributed to the Lender.

Second, so much of such payments and amounts as shall be required to pay the holders of the Notes all amounts then payable to them under indemnification provisions of the Lease or any other Operative Document shall be distributed to the holders of the Notes entitled to payment under such provisions, ratably to each such holder, without priority of one such holder over the other, in the proportion that the amount of such payments to which each such holder is entitled bears to the aggregate amount of such payments to which all such holders are entitled.

Third, so much of such payments and amounts as shall be required to pay in full the aggregate unpaid principal amount of all Notes then outstanding, plus all accrued but unpaid interest thereon to the date of distribution (including interest on overdue principal and, to the extent permitted by law, interest), the payment of which has been accelerated pursuant to Section 6.04 hereof, shall be distributed to the holders of such Notes ratably, without priority of one over the other, in the proportion that the sum of the aggregate unpaid principal amount of all such Notes held by all such holders, plus accrued but unpaid interest thereon bears the aggregate unpaid principal amount of such Notes, plus accrued but unpaid interest thereon.

Fourth, the balance, if any, of such payments and amounts remaining shall be applied by the Owner Trustee in accordance with the Trust Agreement.

Section 5.05. Payments Upon Acceleration. Except as otherwise provided in Section 5.04 hereof, any payment received by the Owner Trustee as a result of a prepayment referred to in Section 6.05 hereof shall be distributed forthwith upon receipt by the Owner Trustee in the following order of priority:

First, so much of such amounts as shall be required to reimburse the Lender for any expenses incurred by the Lender and not theretofore reimbursed in connection with the collection or distribution of such payment shall be distributed to the Lender.

Second, so much of such amounts as shall be required to prepay in full the aggregate unpaid principal amount of all Notes then outstanding, plus all accrued but unpaid interest thereon to the date of distribution (including interest at the Overdue Rate on overdue principal and, to the extent permitted by law, interest), and all other amounts due under the Notes, this Agreement, the Lease and the Participation Agreement shall be distributed to the holders of the Notes.

Third, in the manner provided in clause Second of Section 5.04.

Fourth, the balance, if any, of such amounts remaining shall be applied by the Owner Trustee in accordance with the Trust Agreement.

Section 5.06. Investment of Certain Moneys Held by the Trustee. The Owner Trustee will invest and reinvest any moneys held by the Owner Trustee pursuant to Section 5.01(iii), 5.06 or 5.07 hereof in securities described in clause (ii) of the definition of Permitted Investments, provided, that, so long as no Default or Event of Default shall have occurred and be continuing, at the written request of the Lessee accompanied by an instrument satisfactory to the Owner Trustee setting forth the agreement of the Lessee to be liable for and pay to the Owner Trustee on demand amounts equal to any expense or loss (including any loss on such investment) incurred in connection with any investment of funds pursuant to this proviso, the Owner Trustee will invest and reinvest moneys held by the Owner Trustee pursuant to any of said Sections in any other Permitted Investments. The proceeds received upon the sale or at maturity of any Permitted Investment and any interest received on such Permitted Investment and any payment in respect of a loss contemplated by the preceding sentence shall be held and applied by the Owner Trustee in the same manner as the moneys used to make such Permitted Investment, and any Permitted Investment may be sold (without regard to maturity date) by the Owner Trustee whenever necessary to make any payment, prepayment or distribution required to be made by the Owner Trustee under this Section 5.

Section 5.07. Application of Certain Payments Pursuant to Lease or Participation Agreement. Except as otherwise provided in Sections 5.01(ii), 5.01(iii) and 5.04 hereof, and except for any payments constituting Excepted Rights in Collateral, any

payment received by the Owner Trustee for which provision as to the application thereof is made in the Lease or the Participation Agreement but not elsewhere in this Loan and Security Agreement shall, unless a Loan and Security Agreement Default or a Loan and Security Agreement Event of Default shall have occurred and be continuing, be applied forthwith to the purpose for which such payment was made in accordance with the terms of the Lease or Participation Agreement, as the case may be. If at the time of the receipt by the Owner Trustee of any payment referred to in the preceding sentence there shall have occurred and be continuing a Loan and Security Agreement Default or a Loan and Security Agreement Event of Default, the Owner Trustee shall hold such payment as part of the Collateral, but, subject to the provisions of Sections 5.01 and 5.04, the Owner Trustee shall cease so to hold such payment and shall apply such payment to the purpose for which it was made in accordance with the terms of the Lease or the Participation Agreement, as the case may be, if there is no longer continuing any Loan and Security Agreement Default or Loan and Security Agreement Event of Default; provided that any such payment received by the Owner Trustee which is payable to the Lessee shall not be so held by the Owner Trustee unless such payment may be withheld from the Lessee pursuant to the Lease because of an Event of Default or Default thereunder, in which case such payment shall be held by the Owner Trustee and applied as provided in the Lease, and provided, further, if a Loan and Security Agreement Default or Loan and Security Agreement Event of Default shall have occurred and be continuing on the earlier of (a) eighteen (18) months from the date such funds are received by Owner Trustee and (b) thirty (30) days after Lender shall receive the second of two (2) consecutive years' audited financial statements from Lessee (as required by § 11(a) of the Participation Agreement) after the date such payment is received by Owner Trustee, then Owner Trustee shall cease to hold such payment as part of the Collateral and shall apply such payment to the purpose for which it was made in accordance with the terms of the Lease or the Participation Agreement, as the case may be.

Section 5.08. Other Payments. Except as otherwise provided in Sections 5.04 and 5.07 hereof:

(i) any payment, except any payment constituting Excepted Rights in Collateral, received by the Owner Trustee for which no provision as to the application thereof is made in the Participation Agreement, the Lease or elsewhere in this Section 5 shall be held by the Owner Trustee as part of the Collateral; and

(ii) all payments received and amounts realized by the Owner Trustee under the Lease or otherwise with respect

to the Collateral (including, without limitation, all amounts realized upon the sale or lease of the Collateral after the termination of the Lease), to the extent received or realized at any time after payment in full of the principal of and interest on all Notes and all other amounts due the Lender and the holders of the Notes hereunder or under any of the other Operative Documents, as well as any other amounts remaining as part of the Collateral after such payment in full, shall be applied by the Owner Trustee in accordance with the Trust Agreement.

Section 5.09. Application of Loan Proceeds. The Owner Trustee shall, on each Delivery Date, promptly disburse to the Manufacturer all proceeds (if any) received by it from the issuance and sale by the Owner Trustee of the Notes, all in accordance with the provisions of Section 3(b) of the Participation Agreement.

SECTION 6. DEFAULTS; REMEDIES OF LENDER

Section 6.01. Occurrence of Loan and Security Agreement Event of Default. Any one of the following events or conditions (whatever the reason therefor and whether voluntary or involuntary) shall constitute a Loan and Security Agreement Event of Default:

- (i) any Event of Default; or
- (ii) any failure to pay when due any principal of or interest on any Note or any failure to pay when due any Yield Maintenance Premium and such failure shall continue for ten (10) Business Days after written notice thereof shall have been given to Owner Trustee or, with respect to the payment of Yield Maintenance Premium, to the Owner Trustee and to the Lessee; or
- (iii) any representation or warranty made by the Owner Trustee or the Owner Participant herein or in any Operative Document or in any document or certificate furnished to the Lender in connection herewith or therewith pursuant hereto or thereto shall be incorrect when made in any material respect and such representation or warranty remains, at the time Lender discovers such incorrect matter, material (as determined in Lender's reasonable judgment); or
- (iv) if the Owner Trustee, Trust Estate or the Owner Participant shall (i) generally not be paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other

petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers, of itself or of any substantial part of its property, (v) become the subject of any order for relief entered under any applicable chapter of the Bankruptcy Code, or be adjudicated a bankrupt or insolvent, or (vi) take affirmative corporate action for the purpose or in material furtherance of any of the foregoing; or

(v) if a court or governmental authority of competent jurisdiction shall enter an order appointing a custodian, receiver, trustee or officer with similar powers with respect to the Owner Trustee, the Trust Estate, or the Owner Participant, or with respect to any substantial part of its property, or constituting an order for relief, or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation, or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering its dissolution, winding-up or liquidation, in each case without the consent of the Owner Trustee or the Owner Participant, as the case may be, and such order shall not have been stayed or dismissed within 60 days;

provided, however, that notwithstanding subparagraph 6.01(i) hereof, a Default (or Event of Default) under Section 13 of the Lease by the Lessee for failure to make a payment relating to Excepted Rights in Collateral shall not be a Loan and Security Agreement Default or Loan and Security Agreement Event of Default.

Section 6.02. Action Upon Event of Default. At any time after an Event of Default shall have occurred and be continuing, then and in every such case the Lender may, subject to Section 6.03 hereof, exercise any or all of the rights and powers and pursue any of or all the remedies in this Section 6, take possession of all or any part of the Collateral and exclude the Owner Trustee, Owner Participant, Lessee and all persons claiming under the Owner Trustee, Owner Participant, or Lessee wholly or partly therefrom.

Section 6.03. Right To Cure Certain Events of Default.

(i) If the Lessee shall fail to make any payment of Basic Rent when the same shall have become due, and if such failure of the Lessee to make such payment of Basic Rent shall not constitute the fourth or subsequent consecutive failure or the fifth or subsequent cumulative failure (including, without

limitation, in each such case, all such failures which the Owner Trustee shall have cured pursuant to Section 19 of the Lease), then as long as no other Loan and Security Agreement Event of Default shall have occurred and be continuing (other than a Loan and Security Agreement Event of Default which is concurrently being cured as provided in this Section 6.03), the Owner Trustee may (but need not) pay to the Lender, at any time prior to the expiration of 15 days after the date on which such payment of Basic Rent became due (excluding any grace period applicable to such payment) an amount equal to the amount of the principal of and interest due on the Notes on or prior to such date, together with any interest due thereon on account of the delayed payment thereof, and such payment by the Owner Trustee or Owner Participant shall be deemed to cure any Loan and Security Agreement Event of Default which arose or would have arisen from such failure of the Lessee to pay such Basic Rent.

(ii) If the Lessee shall fail to make any payment of Supplemental Rent when the same shall become due or otherwise fail to perform any obligation under the Lease or the Participation Agreement which is by its nature susceptible of cure by a party other than the Lessee (for insurance or maintenance or to remove a Lien or otherwise), and such failure shall not constitute the fifth or subsequent consecutive failure or the seventh or subsequent cumulative failure (including, without limitation, in each case, all such failures which the Owner Trustee may have cured pursuant to Section 19 of the Lease), then as long as no other Loan and Security Agreement Event of Default shall have occurred and be continuing (other than a Loan and Security Agreement Event of Default which is concurrently being cured as provided in this Section 6.03), the Owner Trustee may (but need not) make payment or perform such obligation at any time prior to the expiration of 30 days after the Owner Trustee shall have received notice or have actual knowledge of such failure and such payment or performance by the Owner Trustee shall be deemed to have cured any Loan and Security Agreement Event of Default which arose or would have arisen from such failure by the Lessee.

(iii) No Impairment of Collateral; Subrogation. The Owner Trustee, upon exercising any of its rights under Section 6.03(i) or (ii) hereof shall not obtain any Lien on the Locomotives or any part thereof or any other part of the Collateral on account of such payment or performance or the costs and expenses incurred in connection therewith, nor shall any claims of the Owner Trustee against the Lessee or any other party for the repayment thereof impair the prior right and security interest of the Lender in and to the Collateral. However, upon such payment or performance by the Owner Trustee,

if no Loan and Security Agreement Default or Loan and Security Agreement Event of Default shall have occurred and be continuing, and if all principal and interest due on the Notes shall have been paid, whether by acceleration or otherwise, the Owner Trustee shall be entitled to receive the amount of such Basic Rent or Supplemental Rent, as the case may be, in respect of which such payments shall have been made, together with interest thereon from the Lessee.

Section 6.04. Action Upon Certain Default. If a Loan and Security Agreement Event of Default specified in Section 6.01(iv) or (v) shall occur, all of the Notes at the time outstanding shall automatically become immediately due and payable together with accrued interest thereon and all other amounts payable hereunder, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Owner Trustee. If any other Loan and Security Agreement Event of Default shall have occurred and be continuing, a Majority in Interest of Note Holders may, subject to the provisions of Section 6.14, at its or their option, by notice in writing to the Owner Trustee declare all of the Notes to be, and all of the Notes shall thereupon be and become immediately due and payable with interest accrued thereon. Upon such declaration, the Lender, as assignee hereunder or otherwise may, and when required pursuant to Section 7 shall, exercise any or all of the rights and powers and pursue any and all of the remedies permitted by this Section 6, and may take possession of all or any part of the Collateral and may exclude the Owner Trustee wholly or partly therefrom, provided that, the assignments and security interests created hereby shall not violate or interfere with the rights of the Lessee as provided in Section 6.08.

Section 6.05. Remedies. The Owner Trustee agrees, to the full extent that it lawfully may, that, if one or more Loan and Security Agreement Events of Default shall have occurred and be continuing and the maturity of the unpaid principal amount of Notes shall have been accelerated pursuant to Section 6.04 hereof, then, and in every such case the Lender, as assignee hereunder or otherwise, may exercise any or all of the rights and powers and pursue any or all of the remedies pursuant to this Section 6 or available to a secured party under the Uniform Commercial Code (including, without limitation, the rights to enter any premises or access any location where any of the Collateral is located and take possession of the Collateral or render it unusable, and the right to restore any of the Collateral to good repair and operating condition at the Owner Trustee's expense in the event the Lessee has failed to keep the Collateral in good repair or operating condition as required by the Lease) or any other provision of law of any jurisdiction and in addition may sell, assign, transfer and

deliver, from time to time to the extent permitted by law, all or any part of the Collateral or any interest therein, at any private sale or public auction with or without demand, advertisement or notice (except as herein required or as may be required by law) of the date, time and place of sale and any adjournment thereof, for cash or credit or other property, for immediate or future delivery and for such price or prices and on such terms as the Lender, in its sole discretion, may determine, or as may be required by law. It is agreed that 20 days' notice to the Owner Trustee and the Lessee of the date, time and place (and terms, in the case of a private sale) of any proposed sale by the Lender of all or any part of the Collateral or interest thereon is commercially reasonable, and the Lender agrees to give such notice.

If the Lender shall proceed to foreclose the lien of this Loan and Security Agreement, it shall substantially simultaneously therewith, to the extent the Lender is then entitled to do so under the other provisions of this Loan and Security Agreement and under the Lease and is not then stayed or otherwise prevented from doing so by operation of law, proceed (to the extent it has not already done so) to exercise one or more of the remedies provided under the Lease, as it shall determine in its good faith discretion. The parties expressly agree that if the Lender is not able to exercise any right or remedy under the Lease for any reason whatsoever, such inability shall in no event and under no circumstances prevent the Lender from exercising all of its rights, powers and remedies under the Loan and Security Agreement.

Section 6.06. Return of Collateral, etc.

(i) At the request of the Lender, the Owner Trustee shall promptly execute and deliver to the Lender such instruments of title and other documents as the Lender may deem necessary or advisable to enable the Lender or an agent or representative designated by the Lender, at such time or times and place or places as the Lender may specify, to obtain possession of all or any part of the Collateral to the possession of which the Lender shall at the time be entitled hereunder. If the Owner Trustee shall for any reason fail to execute and deliver such instruments or documents after such request by the Lender, then the Lender may, but shall not be required to (a) obtain a judgment conferring on the Lender the right to immediate possession and requiring the Owner Trustee to execute and deliver such instruments and documents to the Lender, to the entry of which judgment the Owner Trustee hereby specifically consents, and (b) pursue all or part of such Collateral wherever it may be found and enter any of the premises wherever such Collateral may be or be supposed to be and search for such Collateral and take possession of and remove such Collateral.

(ii) Upon every such taking of possession, the Lender may, from time to time, as a charge against proceeds of the Collateral, make all such expenditures with respect to the Collateral as it may deem proper. In each such case, the Lender shall have the right to deal with the Collateral and to carry on the business and exercise all rights and powers of the Owner Trustee relating to the Collateral, as the Lender shall deem best, including the right to enter into any and all such agreements with respect to the Collateral or any part thereof as the Lender may determine; and the Lender shall be entitled to collect and receive all rents, revenues, issues, income, products and profits of the Collateral and every part thereof (without prejudice to the right of the Lender under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with, the Lender hereunder) and to apply the same to the costs and expenses of managing and otherwise dealing with the Collateral and of conducting the business thereof, and of all expenditures with respect to the Collateral and making of payments which the Lender may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Collateral or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Owner Trustee relating to the Collateral), or under any provision of this Agreement, as well as just and reasonable compensation for the services of all persons properly engaged and employed by the Lender (including, without limitation, all members of Lender's or any of its Affiliate's legal department and other legal counsel).

Section 6.07. Remedies Cumulative; Discontinuance. Each and every right, power and remedy herein specifically given to the Lender or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereinafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Lender, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Lender in the exercise of any right, remedy or power or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Owner Trustee or the Lessee or to be an acquiescence therein. In case the Lender shall have proceeded to enforce any right, power or remedy under this Loan and Security Agreement by foreclosure, entry or otherwise, and such proceedings shall have been

determined adversely to the Lender and the Lessee shall be restored to its former position, then the rights hereunder with respect to the Collateral and all rights, remedies and powers of the Lender shall continue as if no such proceedings had been taken.

Section 6.08. No Action Contrary to Lessee's Rights Under the Lease. Notwithstanding any of the provisions of this Agreement to the contrary, except as expressly provided in the Lease, neither the Owner Trustee nor the Lender shall take any action which would interfere with the Lessee's rights under the Lease, including the right to possession and use of the Locomotives during the term of the Lease, so long as no Event of Default shall have occurred and be continuing.

Section 6.09. The Lender Authorized to Execute Bills of Sale, etc. The Owner Trustee irrevocably appoints the Lender the true and lawful attorney-in-fact of the Owner Trustee in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or delivery for the enforcement of the lien of this Loan and Security Agreement, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Lender may consider necessary or appropriate, with full power of substitution. Nevertheless, if so requested by the Lender or any purchaser, the Owner Trustee shall ratify and confirm any such sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

Section 6.10. Purchase of Collateral by the Lender or Holders of Notes. To the extent permitted by applicable law, any holder of a Note may be a purchaser of the Collateral or any part thereof or interest therein at any sale thereof, whether pursuant to foreclosure or power of sale or otherwise. Any holder of a Note may apply against the purchase price therefor the amount then due under any of the Notes secured hereby and any holder of a Note may apply against the purchase price therefor the amount then due under any Note held by such holder. Any holder of a Note or any nominee thereof shall, upon any such purchase, acquire good title to the property so purchased, free of the lien of this Loan and Security Agreement and, to the extent permitted by applicable law, free of all rights of redemption in or by the Owner Trustee.

Section 6.11. Receipt a Sufficient Discharge. Upon any sale of the Collateral or any part thereof or interest therein whether pursuant to foreclosure or power of sale or otherwise, the receipt of the officer making the sale under judicial proceedings or of the Lender shall be sufficient discharge to the purchaser for the purchase money, and such purchaser shall not be obliged to see to the application thereof.

Section 6.12. Sale a Bar. Any sale of the Collateral or any interest therein, whether pursuant to a foreclosure or power of sale or otherwise hereunder, shall forever be a perpetual bar against the Owner Trustee after the expiration of the period, if any, during which the Owner Trustee shall have the benefit of redemption laws which may not be waived pursuant to Section 6.13 hereof.

Section 6.13. Waiver of Various Rights by the Owner Trustee. The Owner Trustee hereby waives and agrees, to the extent permitted by applicable law, that it will never seek or derive any benefit or advantage from any of the following, whether now existing or hereafter in effect, in connection with any proceeding under or in respect of this Loan and Security Agreement:

(i) any stay, extension, moratorium, redemption, or other similar law;

(ii) any law providing for the valuation or appraisal of any portion of the Collateral in connection with a sale thereof; or

(iii) any right to have any portion of the Collateral or other security for the Notes marshalled.

In the event that the provisions of any of the above referenced laws cannot, pursuant to the terms of such law, public policy, or otherwise, be waived in full by Owner Trustee, then such provisions shall be waived to the fullest extent permitted by law, and shall be waived completely and forever upon expiration of any period during which such provisions may not be waived. The Owner Trustee covenants not to hinder, delay or impede the proper exercise of any right or remedy under or in respect of this Loan and Security Agreement, and agrees, to the extent permitted by applicable law, to suffer and permit its exercise as though no laws or rights of the character listed above were in effect.

Section 6.14. Owner Participant's Right to Purchase Notes Upon Event of Default. Notwithstanding any other provisions hereof, if (i) a Loan and Security Agreement Event of Default (which Loan and Security Agreement Event of Default is solely an Event of Default) shall have occurred and be continuing, and (ii) the Notes shall have been declared immediately due and payable pursuant to Section 6.04 hereof, the Owner Participant may purchase all, but not less than all, of the Notes then outstanding (for the amount hereinafter set forth) by written notice to the holders of the Notes, which notice shall be delivered to each such holder within ten (10) Business Days after such notice of a Loan and Security Agreement Event of

Default and acceleration of the indebtedness due under the Notes. Each holder of a Note, by accepting such Note, agrees that following such acceleration it will, upon receipt from the Owner Participant of an amount equal to the aggregate unpaid principal amount of all Notes then held by such holder, together with all accrued but unpaid interest thereon to the date of payment (including interest at the Overdue Rate on overdue principal, and to the extent permitted by law, interest), plus all other sums then due and payable to such holder hereunder or under the Lease, the Notes or the Participation Agreement (other than any Yield Maintenance Premium), forthwith sell, assign, transfer and convey to the Owner Participant (without recourse or warranty of any kind except as to the absence of any lien on such Notes arising by, through or under such holder), all of the right, title and interest of such holder in and to the Collateral, this Loan and Security Agreement, the Participation Agreement and all Notes held by such holder, and the Owner Participant shall assume all of such holder's obligations under the Participation Agreement and this Loan and Security Agreement.

SECTION 7. CERTAIN RIGHTS AND DUTIES OF OWNER TRUSTEE

Section 7.01. Action Upon Loan and Security Agreement Default or Loan and Security Agreement Event of Default. In the event the Owner Trustee shall have knowledge of a Loan and Security Agreement Default or a Loan and Security Agreement Event of Default, it shall give prompt telex or telegraphic notice thereof to the Lender (confirmed by written notice sent in the manner provided by Section 11.07 hereof). For all purposes of this Loan and Security Agreement, in the absence of actual knowledge on the part of an officer in the Corporate Trust Administration department of the Owner Trustee, the Owner Trustee shall not be deemed to have knowledge of a default under the Participation Agreement, Default, Event of Default, Loan and Security Agreement Default, or Loan and Security Agreement Event of Default (except the failure of the Lessee to pay any installment of Basic Rent when the same shall become due, or the failure of the Lessee to deliver to the Owner Trustee any instrument or other writing required to be delivered pursuant to the express terms of any Operative Document by or on a date certain) unless notified in writing by any holder of a Note, the Owner Participant, or the Lessee.

Section 7.02. Action Upon Payment of Notes or Termination of Lease. Subject to the terms of Section 7.03 hereof, upon payment in full of the principal of and the accrued interest on all Notes then outstanding and all other amounts then due all holders of such Notes hereunder or under the Lease or the Participation Agreement (other than any Yield Maintenance Premium not required to be paid by the Owner Trustee pursuant

to Sections 2.11, 2.12 or 6.14 hereof), the Lender shall upon the written request of the Owner Trustee (and at the Owner Trustee's cost and expense) execute and deliver to, or as directed in writing by, the Owner Trustee an appropriate instrument (in due form for recording) releasing all of the Collateral from the lien of this Agreement. Upon any partial termination of the Lease with respect to a Locomotive or Locomotives pursuant to Sections 8 or 16.4 thereof, the Lender shall, upon the written request of the Owner Trustee (and at the Owner Trustee's cost and expense), but only if no Loan and Security Agreement Default or Loan and Security Agreement Event of Default shall have occurred and be continuing and if the Lender shall have received an amount in cash sufficient for the prepayment in full or in part of the principal of and interest on the Notes, as determined by Section 5.02, 5.03 or 6 hereof, or such greater amount, if any, as may be prescribed by this Agreement, execute and deliver to, or as directed in writing by, the Owner Trustee an instrument, in due form for recording, releasing such Locomotive or Locomotives from the lien of this Loan and Security Agreement.

Section 7.03. Certain Rights of Owner Trustee.

(i) Notwithstanding any provision of this Agreement, including without limitation the Granting Clause hereof, (a) the Owner Trustee (I) shall to the exclusion of the Lender retain all rights with respect to Excepted Rights in Collateral, and (II) shall have the right, but not to the exclusion of the Lender, (A) to receive from Lessee all notices, copies of all documents and all information which the Lessee is permitted or required to give or furnish to the "Lessor" or the "Owner Trustee" pursuant to the Lease or to the "Owner Trustee" pursuant to the Participation Agreement and (B) to inspect the Locomotives and the Lessee's records with respect thereto; (b) so long as no Loan and Security Agreement Default or Loan and Security Agreement Event of Default shall have occurred and be continuing the Owner Trustee shall have the right, (I) to the exclusion of the Lender, to exercise the rights (A) of Lessor under Section 17 of the Lease and (B) of the Owner Participant or Owner Trustee (1) to adjust Rent, Casualty Values and Termination Values as provided in Section 4 of the Lease, provided, however, that no such exercise or adjustment shall be effective to in any way impair or diminish the lien of this Loan and Security Agreement on the Collateral or to impair or diminish the rights of the Lender and the holders of the Notes in respect thereof, and (2) to accept delivery of the Locomotives under and pursuant to Section 2 of the Participation Agreement and Section 3 of the Lease, subject to the satisfaction conditions set forth in the Participation Agreement and the Lease, and (II) but not to the exclusion of the Lender (A) to retain all rights with respect to insurance

which Section 8 of the Lease specifically confers upon the "Lessor" for its own account, (B) to send notice of a Default to the Lessee of its obligations pursuant to Section 8.6 of the Lease, to provide or obtain insurance, to be reimbursed therefor pursuant to Section 8.6 of the Lease, and if necessary to sue for such reimbursement, (C) to maintain, service and repair the Locomotives pursuant to Section 12 of the Lease, to be reimbursed therefor pursuant to Section 19 of the Lease, and if necessary to sue for such reimbursement, and (D) to consent to any amendment or modification of any of the provisions of the Lease.

(ii) Except as otherwise set forth in paragraph (i) of this Section 7.03, the Lender shall, if a Loan and Security Agreement Event of Default shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Lender) which by the terms of the Lease are permitted or provided to be exercised by the Lessor.

SECTION 8. THE OWNER TRUSTEE

Section 8.01. No Representations or Warranties. THE OWNER TRUSTEE MAKES (i) NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO VALUE, COMPLIANCE WITH PLANS OR SPECIFICATIONS, QUALITY, DURABILITY, SUITABILITY, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OR FOR ANY PARTICULAR PURPOSE OF THE LOCOMOTIVES OR ANY PART THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE LOCOMOTIVES, except as expressly provided in the Participation Agreement and except that the Owner Trustee, in its individual capacity, represents and warrants that on each Delivery Date it shall have received whatever title to the Locomotives then being delivered as was conveyed to it and that the Locomotives shall be free of all Lessor's Liens attributable to it in its individual capacity and (ii) no representation or warranty as to the validity, legality or enforceability of this Loan and Security Agreement, any of the other agreements entered into in connection with the transactions contemplated hereby or the Notes, or as to the correctness of any statement contained in any thereof, except as expressly provided herein or therein and except that the Owner Trustee, in its individual capacity, represents and warrants, assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant, that this Loan and Security Agreement has been executed and delivered by one of its officers who is duly authorized to execute and deliver such document on behalf of the Owner Trustee.

Section 8.02. Reliance; Agents; Advice of Experts. The Owner Trustee shall incur no liability to any person in acting

upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties. The Owner Trustee may accept in good faith a certified copy of a resolution of the Board of Directors of the Lessee as conclusive evidence that such resolution has been duly adopted by such Board and that the same is in full force and effect.

SECTION 9. NOTICE OF SUCCESSOR OWNER TRUSTEES

In the case of any appointment of a successor to the Owner Trustee pursuant to the Trust Agreement or any merger, conversion, consolidation or sale of substantially all of the business involving the Owner Trustee pursuant to the Trust Agreement, the successor Owner Trustee shall give prompt written notice thereof to the Lender and to any other holders of Notes at the time outstanding.

SECTION 10. SUPPLEMENTS AND AMENDMENTS TO TRUST AGREEMENT AND LEASE

Section 10.01. Trust Agreement. The Owner Trustee agrees that, so long as any Note shall be outstanding, it shall not enter into any amendment or supplement to the Trust Agreement which in any way adversely affects the interest of the holder of any Note except with the prior written approval of the Lender. A signed copy of each such amendment or supplement shall be delivered by the Owner Trustee and to the Lender.

Section 10.02. Certain Rights of Owner Trustee. Notwithstanding any other provision of this Loan and Security Agreement, so long as no Loan and Security Default or Loan and Security Agreement Event of Default shall have occurred and be continuing, the Owner Trustee shall have the right in conjunction with (but not to the exclusion of) the Lender, to exercise all rights of "Lessor" under the Lease, to execute any election or option or to make any decision or determination or to give any notice, consent, waiver or approval under or in respect of the Lease.

SECTION 11. MISCELLANEOUS

Section 11.01. Provisions Applicable if Any Note Sold. In the event the Lender shall sell or otherwise transfer any Note or any part thereof, the following provisions shall apply:

(i) If any Note shall have been transferred to another holder pursuant to Section 2.09 and such holder shall have designated in writing the address to which communications with respect to such Note shall be mailed, all notices,

certificates, requests, statements and other documents required or permitted to be delivered to the holder by any provision hereof shall also be delivered to each holder, except that financial statements and other documents provided for in Section 11(a) of the Participation Agreement need not be delivered to any such holder holding less than 10% of the aggregate principal amount of Notes from time to time outstanding.

(ii) Any consent, notice, demand or action required or permitted by any provision hereof to be given by the Lender shall be sufficient if given by a Majority in Interest of Note Holders, except without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to this Agreement shall change the maturity of any Note, or change the principal of, or the rate or time of payment of interest or any premium payable with respect to any Note, or affect the time or amount of any required prepayments, or reduce the proportion of the principal amount of the Note required with respect to any consent.

(iii) If after the sale or transfer of any Note or any part thereof there are two or more holders of Notes, (a) such holders of Notes may assign to a corporate trustee all of their right, title and interest in and to the Collateral under this Loan and Security Agreement and (b) the Owner Trustee shall not unreasonably withhold its consent to any amendment to this Loan and Security Agreement which is proposed by a Majority in Interest of Note Holders in order to reflect that a corporate trustee is then acting for the benefit of the holders of the Notes, which amendment may include, among other provisions, provisions providing for (I) all payments made by the Lessee under the Lease to be paid directly by the Lessee to such trustee and to be distributed by such corporate trustee pursuant hereto and (II) such corporate trustee to exercise the rights and remedies of holders of the Notes in respect of the Collateral under this Loan and Security Agreement.

Section 11.02. Termination of this Loan and Security Agreement. This Agreement shall terminate and this Agreement shall be of no further force or effect upon satisfaction of the conditions set forth in the "Provided However" clause preceding Section 1 hereof.

Section 11.03. Further Assurances. At any time and from time to time upon the request of the Lender (and upon receipt of the form of document so to be executed), the Owner Trustee shall promptly and duly execute and deliver any and all such further instruments and documents as the Lender may request in obtaining the full benefits of the security interests and assignments created or intended to be created and of the rights

and powers herein granted. Upon the instructions (which instructions shall be accompanied by the form of document to be filed) at any time and from time to time of the Lender, the Owner Trustee shall execute and file any financing statement (and any continuation statement with respect to any such financing statement), any certificate of title or any other document relating to the security interests or the assignments created by this Agreement as may be specified in such instructions.

Section 11.04. Sale of Collateral by Lender Binding. Any sale or other conveyance of the Collateral by the Lender made pursuant to the terms of this Agreement or of the Lease shall bind the Owner Trustee and the holders of the Notes and shall be effective to transfer or convey all right, title and interest of the Owner Trustee and such holders in and to the Collateral. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, or regularity of such sale or conveyance or as to the application of any sale or other proceeds with respect thereto by the Lender.

Section 11.05. Agreement for Benefit of Parties and Holders of Notes Only. Nothing in this Agreement, whether express or implied, shall be construed to give to any person other than the parties hereto, the Lessee, the Owner Participant and the holders of the Notes any legal or equitable right, remedy or claim under or in respect of this Agreement, and this Agreement shall be for the sole and exclusive benefit of the parties hereto, the obligator under the Notes, and the holders of the Notes.

Section 11.06. Owner Trustee Not Acting in Individual Capacity. The Lender acknowledges that the Owner Trustee is entering into this Loan and Security Agreement solely as Owner Trustee under the Trust Agreement and not in its individual capacity and in no case whatsoever shall it (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable on, or for any loss in respect of, any of the statements, representations, warranties, agreements or obligations of the Owner Trustee hereunder, as to all of which the holders of the Notes agree to look solely to the Trust Estate, except that the Owner Trustee shall be liable, in its individual capacity (i) for its own willful misconduct or gross negligence (other than with respect to the handling of funds, in which case the Owner Trustee shall be accountable for its failure to exercise ordinary care), or (ii) in the case of the inaccuracy of any of its representations or warranties expressly made in its individual capacity contained in or referred to in Section 8.01 herein, or as expressly provided in the Section 6(b) of the Participation Agreement or in the Lease.

Section 11.07. Notices. Unless otherwise specifically provided herein, all notices, requests, demands and other communications required or contemplated by the provisions hereof shall be in writing, and any such notice shall become effective and deemed received by the addressee thereof for all purposes hereunder, if delivered by hand when received, or if mailed, on the fifth Business Day after deposit thereof in the United States mail, first class mail, postage prepaid addressed as required by Section 15 of the Participation Agreement. Notwithstanding the foregoing, any such notice, request, demand or other communication may be given by overnight delivery service, telex or telegraph, and shall be effective the day after delivered to or deposited with a recognized overnight delivery service, when sent over a telex owned or operated by a party hereto with an answer back response set forth on the sender's copy of the document or when delivered to the telegraph company, as the case may be.

Section 11.08. Severability. Any provision of this Loan and Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.09. Written Changes Only. No term or provision of this Loan and Security Agreement or any Note may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party or other person against whom enforcement of the change, waiver, discharge or termination is sought; and any waiver of the terms hereof or of any Note shall be effective only in the specific instance and for the specific purpose given.

Section 11.10. Counterparts. This Loan and Security Agreement may be executed by the parties hereto in separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.11. Successors and Assigns. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns and each holder of a Note. Any request, notice, direction, consent, waiver or other instrument or action by any holder of a Note shall bind the successors and assigns thereof.

Section 11.12. Headings; References, etc. The table of contents hereof and headings of the various Sections and subsections herein are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. References herein to Sections or subsections without reference to the document in which they are contained are references to this Loan and Security Agreement.

Section 11.13. Governing Law. This Loan and Security



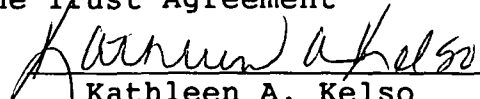
Agreement and the Notes shall in all respects be governed by, and construed in accordance with, the laws of the State of Minnesota, including all matters of construction, validity and performance.

IN WITNESS WHEREOF the Owner Trustee and the Lender have executed this Loan and Security Agreement as of the day and year first above written.

[Seal]


MERIDIAN TRUST COMPANY, not individually (except as otherwise provided in Section 8.01 of the foregoing instrument), but solely in its capacity as Owner Trustee under the Trust Agreement

By:


Kathleen A. Kelso
Account Officer

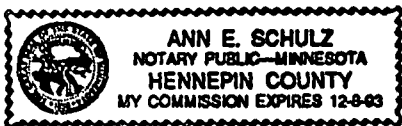
THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By:


Name: Susan E. Crutchfield
Its: Vice President, Medical Services

State of Minnesota)
) ss.
County of Hennepin)

On this 18th day of April, 1989, before me personally appeared Susan Crutchfield, to me personally known, who being by me duly sworn, did say that (s)he is a Vice President, Medical Services of The Prudential Insurance Company of America, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



My Commission Expires:

December 8, 1993.

Ann E. Schulz
Notary Public

State of Pennsylvania)
) ss.
County of Berks)

On this 12th day of April, 1989, before me personally appeared Kathleen A. Kelso, to me personally known, who, being by me duly sworn, did say that (s)he is an Account Officer of Meridian Trust Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Colleen M. Callagione
Notary Public

My Commission Expires:

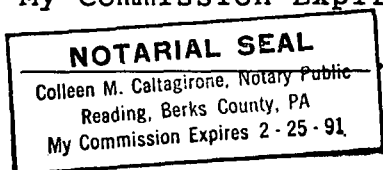


EXHIBIT A TO LOAN
AND SECURITY
AGREEMENT

SUPPLEMENT NO. _____ TO LOAN AND SECURITY AGREEMENT

This Supplement No. _____ is dated _____, 19__ and is entered into by MERIDIAN TRUST COMPANY, not in its individual capacity but solely as trustee under that certain Trust Agreement dated as of April 14, 1989 (the "Trust Agreement") between Whirlpool Financial Corporation, a Delaware corporation, and said trustee (the "Owner Trustee"), and The Prudential Insurance Company of America, a New Jersey corporation (the "Lender").

A. The Owner Trustee and the Lender have entered into a Loan and Security Agreement dated as of April 14, 1989 (as from time to time supplemented, the "Agreement").

B. Unless otherwise defined herein, the capitalized terms used herein are used with the respective meanings specified in the Agreement.

C. The Agreement contemplates the execution and delivery from time to time of Loan and Security Agreement Supplements substantially in the form hereof.

NOW, THEREFORE, TO SECURE THE PAYMENT of the principal of and interest on the Notes according to their tenor and effect and to secure the payment and performance of all other indebtedness which the Agreement by its terms secures and the performance and observance of all covenants, obligations and conditions contained in the Notes, the Agreement and the Participation Agreement, the Owner Trustee does hereby grant, bargain, sell, transfer, convey, warrant, mortgage, assign, pledge, hypothecate and grant a continuing security interest unto the Lender, its successors and assigns, in and to all and singular of the Owner Trustee's properties, rights, interests and privileges and the proceeds thereof (whether now owned or hereafter acquired) as more fully described in the Agreement, except any Excepted Rights in Collateral, including, without limitation, the following:

(a) each of the Locomotives described in Schedule A annexed hereto;

(b) all additional or substitute Locomotives which hereafter may be subjected to the lien and security of the Agreement by operation thereof;

(c) all income, revenues, issues, profits and proceeds arising from or in connection with any of the foregoing; and

(d) each Lease Supplement relating to such Locomotives and all amounts payable thereunder.

TO HAVE AND TO HOLD THE above-described Collateral unto the Lender, its successors and assigns, forever, upon the terms herein and in the Agreement set forth, for the benefit of the Lender, its successors and assigns.

This Supplement shall be construed in connection with and as a part of the Agreement, and all terms, conditions and covenants contained in the Agreement, as hereby supplemented, shall remain in full force and effect.

This Supplement may be executed in any number of counterparts (or upon separate signature pages bound together into one or more counterparts), each of which shall constitute an original but which, when taken together, shall constitute but one instrument.

[Seal]

MERIDIAN TRUST COMPANY,
not individually but solely
in its capacity as Owner
Trustee under the Trust
Agreement

By _____
Its _____

[Seal]

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By _____
Its _____

State of _____)

) SS.

County of _____)

On this ____ day of _____, _____, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that (s)he is a Vice President of Meridian Trust Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My Commission Expires:

State of _____)

) SS.

County of _____)

On this ____ day of _____, _____, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that (s)he is a _____ of The Prudential Insurance Company of America, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My Commission Expires:

SCHEDULE A TO LOAN AND
SECURITY AGREEMENT SUPPLEMENT

Description of Locomotives

[To be provided by Soo Line Railroad Company]

EXHIBIT B TO LOAN AND
SECURITY AGREEMENT

THIS NOTE HAS BEEN ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, as amended (THE "ACT") OR ANY STATE'S BLUE SKY LAW. THIS NOTE MAY NOT BE TRANSFERRED EXCEPT IN A SALE EITHER (1) REGISTERED UNDER THE ACT OR ANY APPLICABLE BLUE SKY LAW (AND THE ISSUER IS NOT REQUIRED TO PROVIDE ANY SUCH REGISTRATION) OR (2) EXEMPT FROM SUCH REGISTRATION(S) (AND THE ISSUER IS NOT REQUIRED TO TAKE ANY ACTION TO MAKE AVAILABLE ANY SUCH EXEMPTION(S)).

[FORM OF REGISTERED NOTE]

Secured Note Due January 15, 2010

Registered No. _____ \$ _____

MERIDIAN TRUST COMPANY, a Pennsylvania trust company, not in its individual capacity, but solely as trustee under that certain Trust Agreement, dated as of April 14, 1989 (the "Trust Agreement") between Whirlpool Financial Corporation, a Delaware corporation (the "Owner Participant"), and said trustee (the "Owner Trustee"), for value received, hereby promises to pay to THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation ("Lender"), or registered assigns, on or before January 15, 2010, as herein provided, the principal sum of _____ DOLLARS (\$ _____), with principal payments to be made as set forth on the Amortization Schedule attached to this Note and with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount of this Note from the date hereof to maturity at the rate of _____% per annum, payable semi-annually on each January 15th and July 15th in each year, commencing _____ 15, 19____, and to pay interest on any overdue principal and interest at the rate per annum equal to 1% plus the higher of _____% or the rate publicly announced by Morgan Guaranty Trust Company of New York from time to time in New York City as its prime or reference rate (or at such lesser rate of interest as may be the maximum not prohibited by applicable law), in each case computed on the basis of a 360-day year of twelve 30-day months. If any payment date is not a Business Day, the payment due on such date shall be payable on the next preceding Business Day.

1. Issuance of Notes. This Note is issued pursuant to the Participation Agreement dated as of April 14, 1989, between Soo Line Railroad Company, a Minnesota corporation (the "Lessee"), Lender, the Owner Participant and the Owner Trustee (as from time to time supplemented and amended in accordance with the terms thereof, the "Participation Agreement"), and is secured by the Loan and Security Agreement dated as of April 14, 1989, between the Owner Trustee and the Lender (as from time to time supplemented and amended in accordance with the terms thereof, the "Loan and Security Agreement"). Unless otherwise defined herein, capitalized terms in this Note are used with the respective meanings specified in the Loan and Security Agreement.

2. Payment From Collateral. This Note shall be paid only from the Collateral, and each holder and registered owner, by its acceptance of this Note, agrees (i) that it will look solely to the Collateral for any and all amounts payable hereunder, and (ii) that neither the Owner Trustee nor Owner Participant is liable in its individual capacity to the holder or registered owner hereof for any amounts payable hereunder, provided that the foregoing provisions of this paragraph shall not prevent or limit recourse to the Collateral or constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by the Loan and Security Agreement but the same shall continue until paid or discharged and the foregoing provisions of this paragraph shall not (A) limit the right of any person to name the Owner Trustee or any other person or entity as a party defendant in any action or suit to enforce the non-recourse liability of the Owner Trustee or for a judicial foreclosure of or in the exercise of any other remedy under the Notes or under the Operative Agreements, under applicable law, so long as no judgment seeking personal liability shall be asked for or, if obtained, enforced against the Owner Trustee; or (B) prevent recourse to the Lessee for any amounts due under the Lease assigned to the Lender pursuant to the Loan and Security Agreement.

3. Voluntary Prepayments. The principal of this Note is subject to voluntary prepayment by the Owner Trustee, only to the extent and under the circumstances set forth in the Loan and Security Agreement.

4. Description of Collateral. Reference is hereby made to the Loan and Security Agreement for a description of the Collateral thereby granted, assigned and pledged, the nature, extent and priority of the security for the Notes, the rights of the holders and registered owners of the Notes, and the Owner Trustee in respect of such security and otherwise and to the Participation Agreement for the terms upon which the Notes are authenticated and delivered.

5. Event of Default. Upon the occurrence of a Loan and Security Agreement Event of Default specified in the Loan and Security Agreement, the principal hereof and the interest accrued and unpaid hereon may be declared to be forthwith due and payable as provided in the Loan and Security Agreement.

6. Registered Notes. This Note is a registered Note and, as provided in the Loan and Security Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or his attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Owner Trustee may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Owner Trustee shall not be affected by any notice to the contrary.

7. Fees and Expenses; Waiver; Governing Law.

(a) Owner Trustee agrees to pay, and save the holder hereof harmless against any liability for, the expenses arising in connection with the enforcement by holder of any of its rights under this Note.

(b) Owner Trustee expressly waives any presentment, demand, protest or notice in connection with this Note, now or hereafter, required by applicable law.

(c) This Note shall be deemed to be a contract made under the laws of the State of Minnesota and for all purposes shall be governed by and construed in accordance with the laws of the State of Minnesota, without giving effect to principles of conflicts of laws.

IN WITNESS WHEREOF, the Owner Trustee has caused this Note to be duly executed and delivered.

MERIDIAN TRUST COMPANY,
a Pennsylvania trust company, not
in its individual capacity but
solely in its capacity as Owner
Trustee under the Trust Agreement

By: _____
Its _____

AMORTIZATION SCHEDULE TO ____%
SECURED NOTE DUE JULY 15, 2010

Principal Amortization Schedule
(Payment Required Per \$1,000,000
Principal Amount of ____% Secured
Note Issued by Owner Trustee)

<u>Installment Payment Date</u>	<u>Principal Repayment</u>
July 15, 1990	
January 15, 1991	
July 15, 1991	
January 15, 1992	
July 15, 1992	
January 15, 1993	
July 15, 1993	
January 15, 1994	
July 15, 1994	
January 15, 1995	
July 15, 1995	
January 15, 1996	
July 15, 1996	
January 15, 1997	
July 15, 1997	
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January 15, 2002	
July 15, 2002	
January 15, 2003	
July 15, 2003	
January 15, 2004	
July 15, 2004	
January 15, 2005	
July 15, 2005	
January 15, 2006	
July 15, 2006	
January 15, 2007	
July 15, 2007	

Installment
Payment
Date

Principal
Repayment

January 15, 2008
July 15, 2008
January 15, 2009
July 15, 2009
January 15, 2010

SCHEDULE I

DEFINITIONS

The following terms shall have the following meanings for all purposes of the Participation Agreement, the Lease and the Loan and Security Agreement and certain other documents to which only the Owner Trustee, the Owner Participant, the Lessee or the Lender are a party as such agreements may be modified, amended or supplemented from time to time, and shall be equally applicable to both the singular and plural forms of the terms herein defined:

"AAA" means the American Arbitration Association.

"Additional Insureds" means the Lessor, the Owner Participant and the Lender.

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person.

"After-Tax Basis" is defined in Section 9(b)(9) of the Participation Agreement.

"Amendment" is defined in Section 1 of the Assignment.

"Assigned Rights" is defined in Section 1 of the Assignment.

"Assignee" means the Owner Trustee under the Assignment.

"Assignment" means each Purchase Agreement Assignment.

"Assignor" means the Lessee under the Assignment.

"Authorizations" is defined in Section 5(xvii) of the Participation Agreement.

"Bankruptcy Code" means the Federal Bankruptcy Code, Title 11, United States Code, as amended from time to time.

"Base Case" is the Schedule of Base Case Economics attached as Schedule 2 to the Participation Agreement.

"Base Index" is defined in Section 4.1 of the Lease.

"Base Issue" is defined in Section 4.1 of the Lease.

"Basic Rent" means the rent payable for a Locomotive during the Basic Term identified as "Basic Rent" in and payable pursuant to Section 4.1 of the Lease.

"Basic Term" means the period beginning on January 15, 1990 and ending on January 14, 2010.

"Bill of Sale" means each bill of sale executed and delivered by the Manufacturer pursuant to Section 2(c) of the Participation Agreement substantially in the form of Exhibit B to the Participation Agreement.

"Business Day" means any day other than (i) a Saturday or Sunday and (ii) a day on which state or national banking institutions are authorized or obligated by law to remain closed in the States of New York, Pennsylvania, Michigan or Minnesota.

"Cancellation Factor" means the Cancellation Price Increase, if any, divided by the closing price of the Reference Treasury Note on the Rate Date for the applicable Note, such closing price to be determined by the Purchaser on a Reference Treasury Note in the principal amount of \$100 and to be rounded to the second decimal place.

"Cancellation Fee" means any fee payable pursuant to Sections 10(g) of the Participation Agreement.

"Cancellation Price Increase" means the excess, if any, of the closing price of the Reference Treasury Note on the date the applicable Cancellation Fee is required to be paid, over the closing price of the Reference Treasury Note on the Rate Date for the applicable Note, such closing price to be determined by the Lender on a Reference Treasury Note in the principal amount of \$100 and to be rounded to the second decimal place.

"Cancelled Commitment" is defined in Section 10(g)(ii) of the Participation Agreement.

"Casualty Occurrence" with respect to any Locomotive means any of the following events with respect to such Locomotive: (i) such Locomotive shall be or become lost or stolen for a period in excess of 30 days (or to the end of the remaining term of this Lease, if it first occurs), or (ii) such Locomotive shall be worn out, destroyed, or, in the reasonable good faith opinion of the Lessee, irreparably damaged, or uneconomical to repair to return to service from any cause whatsoever during the term of the Lease or any renewal term hereof or until such Locomotive is returned pursuant to Section 14 or Section 17 of the Lease, or (iii) such Locomotive, together with all other Locomotives manufactured by the same Manufacturer shall have been returned permanently to such Manufacturer pursuant to any patent indemnity provisions of any agreement between such Manufacturer and the Lessee, or

(iv) such Locomotive shall be permanently returned to the Manufacturer thereof due to a material breach of such Manufacturer's warranty (other than under the circumstances contemplated by the immediately preceding clause (iii)) contained in any agreement between such Manufacturer and the Lessee, or (v) title to such Locomotive shall be taken by any governmental entity by condemnation or otherwise, or (vi) use of such Locomotive shall be taken or requisitioned (a) by the United States Government (I) for a stated period which shall equal or exceed the then remaining term of the Lease, or (II) for a period which has exceeded two years, or (b) by any other governmental entity (I) for a stated period which shall equal or exceed the then remaining term of the Lease or (II) for a period which has exceeded 180 consecutive days, or (vii) as a result of any rule, regulation, order or other action by the United States Government or any agency or instrumentality thereof, the use of such Locomotives in the normal course of interstate rail transportation shall have been prohibited for a continuous period of six months (or to the end of the remaining term of the Lease, if it first occurs).

"Casualty Payment Date" means, with respect to any Casualty Occurrence, the next Rent Payment Date which is more than 30 days after the Casualty Occurrence.

"Casualty Value" is defined in Section 8.4 of the Lease.

"Certificate of Inspection and Acceptance" means any certificate provided by the Lessee in substantially the form of Exhibit A to the Lease.

"Change in Tax Law" means, with respect to any Delivery Date, any change in federal income tax laws or regulations which (i) results from a change in the Code, including any technical corrections legislation, issuance of final or temporary Treasury Regulations and Internal Revenue Service rulings, announcements and notices, (ii) as a result of such change, any one or more of the Tax Assumptions set forth in Section 1 of the Tax Indemnity Agreement are no longer correct as a matter of law, and (iii) as a result of such change, there is a decrease in the Net Economic Return of the Owner Participant.

"Claim" is defined in Section 9(c)(i) of the Participation Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" is defined in Clause A of the Granting Clause of the Loan and Security Agreement.

"Consent to Purchase Agreement Assignment" means any consent substantially in the form of Exhibit J to the Participation Agreement, given by Manufacturer, to the assignment of any Purchase Agreement by the Lessee (as assignor) to the Owner Trustee (as assignee) and to the further assignment of rights under such Purchase Agreement pursuant to the Loan and Security Agreement by the Owner Trustee (as assignee) to the Lender (as assignor).

"Cross-Default Provision" is defined in Section 5(xxiii) of the Participation Agreement.

"Debt Rate" means 10.45% with respect to the first Delivery Date and, with respect to the second and each subsequent Delivery Date the rate determined pursuant to Section 2.05 of the Loan and Security Agreement.

"Default" means any event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Delivery Date" means each date on which the Locomotives are purchased by the Owner Trustee in accordance with the Participation Agreement and leased to the Lessee pursuant to the Lease.

"Equipment Group A" means all Locomotives with a Delivery Date on or before April 30, 1989.

"Equipment Group B" means all Locomotives with a Delivery Date after April 30, 1989.

"Equity Interest" means the Owner Participant's interest in the trust created by the Trust Agreement, including the right, title and interest of the Owner Participant in and to the Participation Agreement and the Trust Agreement and its beneficial interest in the Trust Estate.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" is defined in Section 13.1 of the Lease.

"Excepted Rights in Collateral" is defined in Clause E of the Granting Clause of the Loan and Security Agreement.

"Fair Market Value" is defined in Section 16.3 of the Lease.

"Foreign Tax" is defined in Section 9(b)(3) of the Participation Agreement.

"Foreign Tax Credit Limitation" is defined in Section 9(b)(3) of the Participation Agreement.

"Foreign Taxing Authorities" is defined in Section 9(b)(1) of the Participation Agreement.

"ICC" means the Interstate Commerce Commission.

"Income Taxes" is defined in Section 9(b)(1)(i) of the Participation Agreement.

"Indemnified Parties" means the Owner Participant, the Owner Trustee in its individual capacity and as Owner Trustee, the Lender, each other holder from time to time of any Note (including, in the case of each of the foregoing, as to any such corporation, any corporation which is a member of the same affiliated group, as defined in Section 1504 of the Code), the Trust Estate, the Collateral, and the permitted successors, assigns, affiliates, agents, officers, shareholders, directors, servants and employees of any thereof, each individually being an "Indemnified Party."

"Installment Payment Date" is defined in Section 2.04(ii) of the Loan and Security Agreement.

"Interim Term" is defined in Section 5.1 of the Lease.

"Lease Agreement", and each reference in the Lease to "this Lease", "this Agreement", "herein", "hereunder", "hereof", "hereby" or other like words means or refers to the Lease of Railroad Equipment, dated as of April 14, 1989, between Owner Trustee/Lessor and Lessee, in substantially the form of Exhibit C to the Participation Agreement, as originally executed or as modified, amended or supplemented from time to time to the extent permitted by the Loan and Security Agreement, including, without limitation, supplementation of the Lease by one or more Lease Supplements and any amendments thereto entered into pursuant to the applicable provisions of the Lease.

"Lease Supplement" means a Lease Supplement to be dated as of a Delivery Date and substantially in the form of Exhibit B to the Lease, to be entered into between Lessor and Lessee for the purpose of leasing the Locomotives as of said Delivery Date under and pursuant to the terms of the Lease.

"Lease Term" means the period commencing on the first Delivery Date and continuing to and including the last day of the Basic Term, or if the Lessee exercises one or more options contained in Section 16.2 of the Lease, the last day of the last Renewal Term, in each case unless earlier terminated pursuant to the terms of the Lease.

"Lender" means The Prudential Insurance Company of America, a New Jersey corporation, and its permitted successors and assigns.

"Lender's Percentage" for any Delivery Date means a percentage, not more than 80%, designated in the Lessee's Notice.

"Lessee" means Soo Line Railroad Company, a Minnesota corporation, and its permitted successors and assigns.

"Lessee's Instruments" means each Operative Document which is to be executed and delivered by the Lessee.

"Lessee Notes" is defined in Section 16.1(iii) of the Lease.

"Lessee's Notice" is defined in Section 2(b) of the Participation Agreement.

"Lessor" means the Owner Trustee acting as Lessor under the Lease Agreement.

"Lessor's Liens" means any Lien which results from claims against the Lessor unrelated to the Lessor's ownership or mortgaging of the Locomotives or the transactions contemplated by the Operative Documents.

"Liability Insurance" means excess liability insurance with respect to third-party bodily and personal injury, death and property damage (including, but not limited to, contractual liability insurance) excluding only such risks as are consistent with prudent industry practice in the railroad industry.

"Liens" means liens, mortgages, encumbrances, pledges, charges and security interests or rights of any kind.

"Loan and Security Agreement" means that certain Loan and Security Agreement, dated as of April 14, 1989, between the Owner Trustee and the Lender, in substantially the form of Exhibit D to the Participation Agreement, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof. Unless the context otherwise requires, "Loan and Security Agreement" shall include each Loan and Security Agreement Supplement.

"Loan and Security Agreement Default" means any act or occurrence which, with notice or lapse of time, or both, would constitute a Loan and Security Agreement Event of Default.

"Loan and Security Agreement Event of Default" is defined in Section 6.01 of the Loan and Security Agreement.

"Loan and Security Agreement Supplement" is defined in Clause A of the Granting Clause of the Loan and Security Agreement.

"Locomotives" means at least 21 and as many as 39 General Motors EMD SD-60 locomotives (each a "Locomotive"), more specifically described in the Lease Supplements delivered pursuant to Section 2 of the Participation Agreement, which shall be purchased by the Owner Trustee in accordance with the Participation Agreement and leased to the Lessee pursuant to the Lease and one or more Lease Supplements, together with related appurtenances, additions, improvements, equipment and replacements.

"Majority in Interest of Note Holders" means, as of a particular date of determination, the holder or holders of at least two-thirds in aggregate principal amount of all Notes outstanding as of such date (excluding any Notes then held by the Owner Trustee, the Owner Participant or the Lessee or any Affiliate of any thereof unless all Notes then outstanding are held by the Owner Trustee, the Owner Participant and the Lessee and their Affiliates).

"Manufacturer" means the Electro-Motive Division of General Motors Corporation.

"Maximum Loan Amount" means \$42,000,000.

"Net Economic Return" means the Owner Participant's net after-tax yield using the multiple investment sinking fund method and total after-tax cash flow for the Base Case or adjusted pursuant to Section 4.1 of the Lease, computed on the basis of the assumptions, including, without limitation, the Tax Assumptions set forth in the Tax Indemnity Agreement, used by the Owner Participant in originally evaluating the transactions contemplated by the Lease.

"Net Income Taxes" is defined in Section 9(b)(1)(i) of the Participation Agreement.

"Note" means and "Notes" mean all of the notes of the Owner Trustee, substantially in the form thereof set forth in Exhibit B to the Loan and Security Agreement originally issued to the Lender pursuant to Section 2.04 of the Loan and Security Agreement, in the aggregate principal amount determined pursuant to the Participation Agreement, and maturing and bearing interest and secured as provided in said form, and as otherwise provided in the Loan and Security Agreement, and any

note issued pursuant to the Loan and Security Agreement in replacement or exchange for any Note previously issued pursuant to the Loan and Security Agreement.

"Officer's Certificate" means, with respect to any corporation or entity, a certificate executed on behalf of such corporation or entity by its Chief Executive Officer, President, Chief Financial Officer or one of its Vice Presidents or Assistant Vice Presidents or its Treasurer, or one of its Assistant Treasurers, or its Secretary or one of its Assistant Secretaries, or one of its Controllers or Assistant Controllers or, in the case of Owner Trustee, by one of its Account Officers or Assistant Account Officers.

"Operative Documents" means the Participation Agreement, the Trust Agreement, the Loan and Security Agreement, the Lease, the Tax Indemnity Agreement, the Notes, the Bills of Sale, the Purchase Agreement Assignment, and each Lease Supplement and Loan and Security Agreement Supplement, collectively.

"Overdue Rate" is defined in Section 2.04(ii) of the Loan and Security Agreement.

"Owner Participant" means Whirlpool Financial Corporation, a Delaware corporation (formerly known as Whirlpool Acceptance Corporation) and its permitted successors and assigns under the Trust Agreement and Sections 10(a) and 10(b) of the Participation Agreement.

"Owner Participant's Instruments" means each Operative Document which is to be executed and delivered by the Owner Participant.

"Owner Trustee" means Meridian Trust Company, a Pennsylvania trust company, not in its individual capacity, but solely as trustee under the Trust Agreement dated as of April 14, 1989 between Owner Participant and Meridian Trust Company, and its permitted successors and assigns.

"Owner Trustee Office" means the principal corporate trust office of the entity then serving as Owner Trustee, which, in the case of Meridian Trust Company, until notice of a change of address of such office is given by such entity, shall be at 35 North 6th Street, Reading, Pennsylvania.

"Owner Trustee's Instruments" means each Operative Document which is to be executed and delivered by Meridian Trust Company or the Owner Trustee.

"Owner's Percentage" for any Delivery Date means a percentage, not less than 20%, and not more than 50%, designated in the Lessee's Notice.

"Parent" means Soo Line Corporation, a Minnesota corporation, or any successor corporation which has the power to vote at least 50% of the issued and outstanding shares of any class of stock of Lessee.

"Participant" means any of the Owner Participant and the Lender.

"Participation Agreement" and each reference in the Participation Agreement to "this Participation Agreement", "this Agreement", "herein", "hereunder", "hereof" or other like words means or refers to the Participation Agreement dated as of April 14, 1989, among Lessee, Lender, Owner Participant and Owner Trustee, as the Participation Agreement shall have been originally executed or as modified, amended or supplemented in accordance with the applicable provisions of the Participation Agreement.

"Permitted Investment" means (i) certificates of deposit and time and other interest bearing deposits in banks which are members of the Federal Reserve System having a net worth of not less than \$125,000,000; (ii) short-term debt securities issued by or entitled to the full faith and credit of the United States Government; (iii) bank repurchase agreements with banks described in clause (i) of this definition which are fully collateralized by securities described in clause (ii) of this definition or (iv) commercial paper which is rated "A-1" or better (or comparable ratings) by Standard & Poor's Corporation or "P-1" or better (or comparable ratings) by Moody's Investors Service, Inc. or the successors to such rating organizations, in each case referred to in the foregoing clauses (i) through (iv) due within 210 days of the date of purchase.

"Permitted Liens" means (i) liens for taxes, assessments or governmental charges or levies in each case not due and delinquent, (ii) inchoate materialmen's, mechanics' workmen's, repairmen's or other like liens arising in the ordinary course of Lessee's business and in each case not delinquent, and (iii) the lien of the Lease and the Loan and Security Agreement.

"Person" or "person" means any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

"Plan" means an employee benefit plan as defined in Section 3(3) of ERISA.

"Prepaid Amount" is defined in Sections 5.02 and 5.03 of the Loan and Security Agreement.

"Property Insurance" is defined in Section 8.6(i) of the Lease.

"PruCapital" means Prudential Capital Corporation, an Affiliate of Lender.

"Purchase Agreement" means each purchase agreement between Lessee (as purchaser) and Manufacturer (as seller) subject to a Purchase Agreement Assignment.

"Purchase Agreement Assignment" means each purchase agreement assignment, dated as of April 14, 1989 and as of the second and subsequent Delivery Dates, made by Lessee (as assignor) to Owner Trustee (as assignee), substantially in the form of Exhibit I to the Participation Agreement.

"Purchase Price" for each Locomotive means the price paid to the Manufacturer for the purchase of such Locomotive as set forth in the Lease Supplement delivered on the Delivery Date.

"Qualified Affiliate" means Canadian Pacific Limited, a Canada corporation, and, if CP Rail, a division of Canadian Pacific Limited, should become a separate corporation, then said separate corporation.

"Reference Rate" means the rate per annum announced by Morgan Guaranty Trust Company of New York from time to time in New York City as its Prime or Reference Rate.

"Reference Treasury Note" means the Treasury Note or Notes by reference to which the Treasury Rate is determined in fixing the interest rate for the Notes.

"Register" has the meaning specified in Section 2.07(i) of the Loan and Security Agreement.

"Renewal Rent" means the rent payable during the Renewal Term for each Locomotive subject to this Lease at the end of the Basic Term, as specified in Section 16.2 of the Lease.

"Renewal Term" means the period beginning on January 15, 2010 and ending on January 14, 2011 and any subsequent renewal term pursuant to Section 16.2 of the Lease.

"Rent Payment Date" is defined in Section 4.1 of the Lease.

"Replacement Locomotive" means a Locomotive whose title is offered to the Lender as substitute security pursuant to Section 8.1(ii) of the Lease.

"Secured Obligations" has the meaning specified in Clause A of the Granting Clause of the Loan and Security Agreement.

"Self-Insure" is defined in Section 8.6(i) of the Lease.

"Statutory Interest" has the meaning specified in Section 9(b)(2) of the Participation Agreement.

"Subsidiaries" means such subsidiaries of Lessee as are included in its consolidated financial statements prepared in accordance with generally accepted accounting principles consistently applied.

"Supplemental Rent" means any and all amounts, liabilities and obligations (other than Basic Rent or Renewal Rent) which the Lessee assumes or agrees to pay to any person under the Lease or under the Participation Agreement including, without limitation, Section 9 of the Participation Agreement, or under any other Operative Document, including, without limitation, payments of Casualty Value and amounts measured by reference to the Participation Agreement and payments pursuant to the Tax Indemnity Agreement.

"Tax Assumptions" is defined in Section 1 of the Tax Indemnity Agreement.

"Tax Forms" is defined in Section 9(b)(1)(xii) of the Participation Agreement.

"Tax Indemnity Agreement" means that certain Income Tax Indemnity Agreement, dated as of April 14, 1989, between the Owner Participant and the Lessee, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Taxes" is defined in Section 9(b)(1) of the Participation Agreement.

"Terminated Locomotive" means any Locomotive which Lessee has elected to terminate pursuant to Section 16.4 of the Lease.

"Termination" is defined in Section 16.4(i) of the Lease.

"Termination Date" with respect to any Locomotive, means a date on which an installment of Basic Rent is due and which has been specified by the Lessee, pursuant to Section 16.4 of the Lease, as the date of Termination with respect to such Locomotive.

"Termination Value" with respect to any Locomotive, means an amount equal to the specified percentage set forth in the Schedule 3 appended to the Lease Supplement, subject to

adjustment as provided in Section 4.4 of the Lease, for the Termination Date with respect to such Locomotive multiplied by the Purchase Price of such Locomotive.

"Transaction Expenses" is defined in Section 13(a) of the Participation Agreement.

"Treasury Note" shall mean a note or bond, as the case may be, issued by the United States government.

"Treasury Rate" means, as of the date on which the interest rate for the Notes is fixed, the then-current yield (determined on a semi-annual bond equivalent basis adjusted to a quarterly basis) on the most recently issued Treasury Note or Notes having a maturity substantially equal to the remaining average life of the Notes, determined by PruCapital in its sole discretion reasonably exercised.

"Trust Agreement" means that certain Trust Agreement, dated as of April 14, 1989, between the Owner Participant and Meridian Trust Company, in substantially the form of Exhibit F to the Participation Agreement, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof and of the Loan and Security Agreement.

"Trust Estate" means the Locomotives, contract rights and other property held or owned by the Owner Trustee in accordance with the Trust Agreement, but shall not include any Excepted Rights in Collateral.

"Yield Maintenance Premium" shall mean, with respect to any Note, a premium equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield Maintenance Premium shall in no event be less than zero.

"Called Principal" means, with respect to any Note, the principal of such Note (i) that is to be prepaid pursuant to Sections 2.11(i), (ii) or (iii) of the Loan and Security Agreement, any partial prepayment being applied in satisfaction of required payments of principal as set forth in Section 2.11(vii) of the Loan and Security Agreement or (ii) that is declared to be immediately due and payable pursuant to Section 6 of the Loan and Security Agreement, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect

to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semiannual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace Page 678 on the Telerate Service) for actively traded U.S. Treasury securities having maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between reported yields.

"Remaining Average Life" shall mean, with respect to the Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"Settlement Date" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 2.11 of the Loan and Security Agreement or is declared to be immediately due and payable pursuant to Section 6 of the Loan and Security Agreement, as the context requires.

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